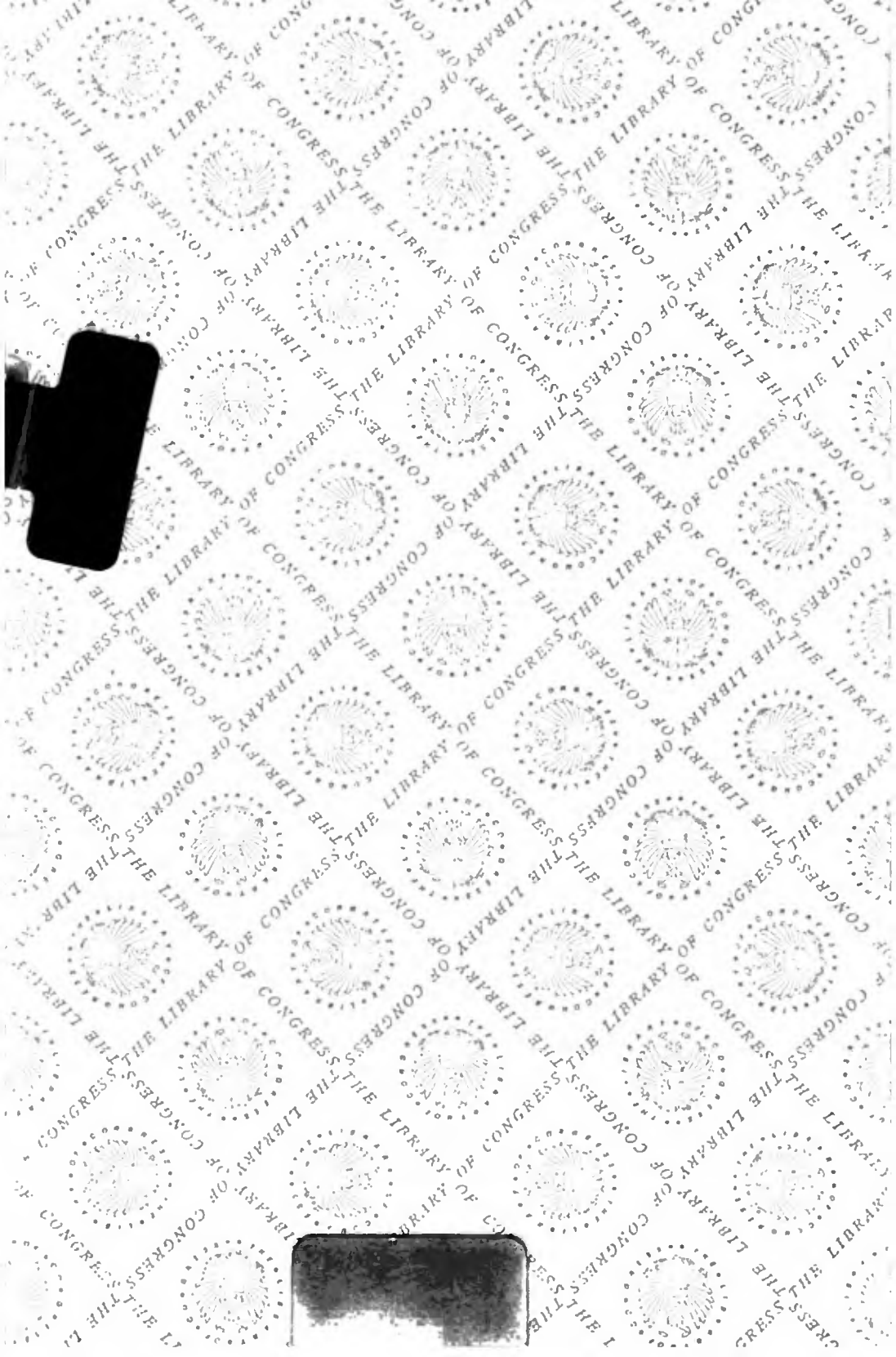
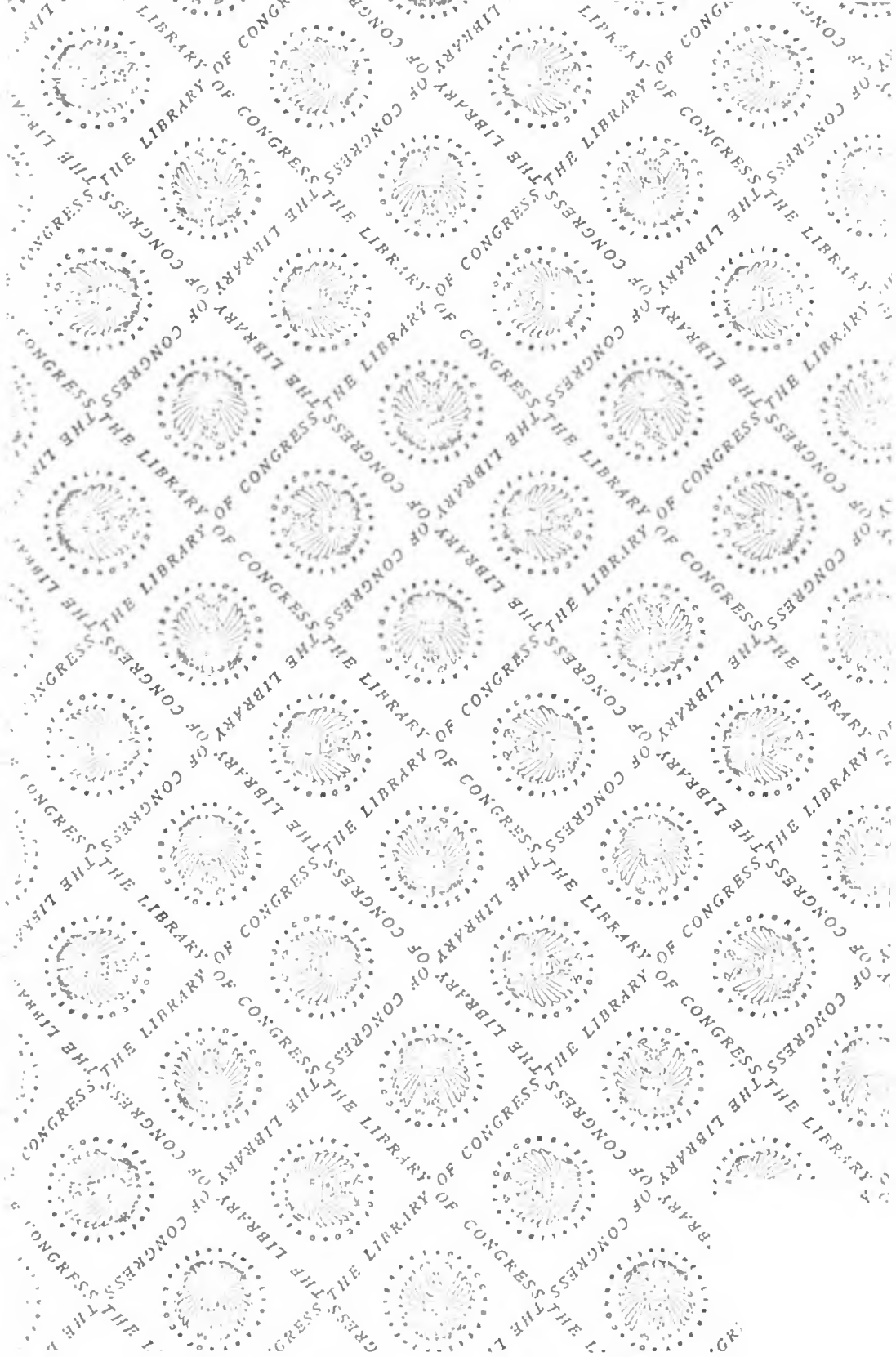


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House Committee on Transportation and Commerce

AMTRAK AUTHORIZATION

HEARINGS

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE

OF THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

H.R. 11493

A BILL TO AMEND THE RAIL PASSENGER SERVICE ACT TO
EXTEND THE AUTHORIZATION OF APPROPRIATIONS FOR AN
ADDITIONAL FISCAL YEAR, TO PROVIDE FOR PUBLIC CON-
SIDERATION AND IMPLEMENTATION OF A RAIL PASSENGER
SERVICE STUDY, AND FOR OTHER PURPOSES

H.R. 11089

A BILL TO PROVIDE FOR THE DESIGNATION AND IMPLEMEN-
TATION OF A REVISED BASIC RAIL PASSENGER SYSTEM, THE
RESTRUCTURING OF THE NATIONAL RAILROAD PASSENGER
CORPORATION, AND FOR OTHER PURPOSES

MARCH 20, 21, AND APRIL 5, 1978

Serial No. 95-125

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- California Department of Transportation :
 - Gianturco, Adrian, director.
 - Gray, George, director, mass transportation division.
- General Accounting Office :
 - Eschwege, Henry, Director.
 - McLure, Herbert, Assistant Director, in charge of work involving the rail-roads.
 - Seigler, Clarence, Supervisor Auditor.
- Interstate Commerce Commission :
 - O'Neal, Hon. A. Daniel, Chairman.
 - Schiefelbein, Dick, Chief.
- Keystone Association of Railroad Passengers, Lawrence T. Joyce, chairman.
- National Association of Railroad Passengers, Thomas G. Crikelair, assistant director.
- National Conference of State Railway Officials, Clifford Elkins, director.
- National Railroad Passenger Corporation (Amtrak) :
 - Brazier, Donald R., vice president.
 - Reistrup, Paul H., president.
- New York Department of Transportation, Louis Rossi, director.
- Railway Labor Executives' Association :
 - Mahoney, William G., attorney.
 - Snyder, James R., chairman.
- Transportation Department :
 - Sullivan, John M., Administrator.
 - Swinburn, Charles, Associate Administrator.

AMTRAK AUTHORIZATION

MONDAY, MARCH 20, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2218 Rayburn House Office Building, Hon. Fred B. Rooney, chairman, presiding.

Mr. ROONEY. Today we begin hearings on the fiscal year 1979 funding authorization for Amtrak as well as a review of Amtrak's performance pursuant to the oversight responsibility of this subcommittee.

Amtrak stands at a watershed in its history. Amtrak deficits continue to mount. Amtrak predicts that for fiscal year 1979 its operating loss will be \$613 million assuming its route structure remains the same. Losses such as this must certainly be closely scrutinized by Congress.

There is obviously a limit to which the taxpayers are willing to support this service. We must ascertain what that limit is and also determine that we are getting the best value that can be expected for these funds allocated by the Congress.

The ICC reported last week that for the year ending September 30, 1977, Amtrak lost 14 cents for each revenue passenger-mile. I cannot help but keep wondering when are we going to see some improvement. After 7 years and over \$3 billion drawn from appropriations and loans, it seems to me we have a right to expect some improvement soon.

Although a public opinion survey released by Amtrak last week indicates an increasing segment of the American public interested in developing passenger train service, that same poll reveals that many Americans remain critical of the quality and availability of rail passenger travel and that cars and airplanes remain the preferred mode of transportation on trips of 100 miles or more.

The growth in Amtrak deficits continues to outstrip improvements in the speed, comfort, reliability, and efficiency of its trains. Notwithstanding an annual subsidy in excess of over half a billion dollars, my colleagues and I continue to hear from irate constituents about extremely bad episodes on Amtrak—incidents of unreasonable delay, misinformation, or a lack of information on the part of passenger service employees, poor food services, and the mistreatment of passengers.

We have certainly not seen an improvement in this regard as the ICC reported that passenger complaints increased about 50 percent last year. The level of the number of complaints was unacceptable before, now it is obviously critical and warrants our immediate attention.

Amtrak has responded to this problem by reducing fares to a level which it is alleged constitutes predatory pricing against competing bus operators, impairing bus company earnings, and thus, their ability to meet their own common carrier obligations to bus passengers throughout the country. Moreover, these fare reductions have not resulted in appreciable increases in ridership.

In these hearings we will examine two bills—H.R. 11493, introduced by Chairman Staggers, and H.R. 11089, introduced by Mr. McFall, Chairman of the Appropriations Subcommittee with jurisdiction over Amtrak.

As cosponsor of H.R. 11493, I recognize that a major restructuring of the American passenger train system is indicated by the facts at hand. In addition to funding requirements and a route structure study provided in these bills, there are a number of other issues we must address during these hearings.

These include changes in the institutional structure for administering our passenger train system, intermodal cooperation through the extensive development of joint terminals and joint ticketing, a determination of what constitutes a reasonable fare policy requirement, the use of intercity trains for commuter services and passenger train carriage of the mails.

Without objection H.R. 11493, H.R. 11089 and all Agency reports thereon will be placed in the record at this point.

[Testimony resumes on p. 39.]

[The text of H.R. 11493, H.R. 11089, and Agency reports thereon follows:]

95TH CONGRESS
2D SESSION

H. R. 11493

IN THE HOUSE OF REPRESENTATIVES

MARCH 13, 1978

Mr. STAGGERS (for himself, Mr. MOSS, Mr. DINOELLI, Mr. ROGERS, Mr. ROONEY, Mr. MURPHY of New York, Mr. CARNEY, and Mr. METCALFE) introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To amend the Rail Passenger Service Act to extend the authorization of appropriations for an additional fiscal year, to provide for public consideration and implementation of a rail passenger service study, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "Amtrak
5 Improvement Act of 1978".

6 AUTHORIZATION OF APPROPRIATIONS

7 SEC. 2. Section 601 (a) (1) of the Rail Passenger Serv-
8 ice Act (45 U.S.C. 601 (a) (1)) is amended—

1 (1) in clause (1) thereof (A) by striking out
2 “and” immediately after “1977,”, and (B) by insert-
3 ing “, and not to exceed \$550,000,000 for the fiscal year
4 ending September 30, 1979” immediately after “1978”;

5 (2) in clause (2) thereof (A) by striking out
6 “and” immediately after “1977,”, and (B) by inserting
7 “, and not to exceed \$341,388,000 for the fiscal year
8 ending September 30, 1979, and with respect to such
9 fiscal year 1979, the amount authorized includes money
10 for expenditure for compatible equipment under section
11 703 (5) of the Railroad Revitalization and Regulatory
12 Reform Act of 1976” immediately after “1978”;

13 (3) in clause (3) thereof (A) by striking out
14 “and” immediately after “1977,”, and (B) by insert-
15 ing “, and not to exceed \$83,000,000 for the fiscal year
16 ending September 30, 1979” immediately after “1978”;
17 and

18 (4) in clause (4) thereof, by inserting “, and not
19 to exceed \$25,000,000 for the fiscal year ending Septem-
20 ber 30, 1979” immediately after “1978”.

21 ROUTE REEXAMINATION

22 SEC. 3. (a) The Secretary of Transportation (herein-
23 after in this section referred to as the “Secretary”), in co-
24 operation with the National Railroad Passenger Corporation
25 (hereinafter in this section referred to as the “Corporation”),

1 shall immediately develop preliminary recommendations for
2 a route structure for the Corporation which will provide an
3 optimal intercity railroad passenger system, based upon cur-
4 rent and future market and population requirements, includ-
5 ing where appropriate portions of the Corporation's existing
6 route structure. In developing such recommendations, the
7 Secretary shall consider the adequacy of other transportation
8 modes serving the same points to be served by the recom-
9 mended route system:

10 (1) any unique characteristics and advantages of
11 rail service as compared to other modes of transporta-
12 tion;

13 (2) the role that rail passenger service can play
14 in helping meet the Nation's transportation needs while
15 furthering national energy conservation efforts;

16 (3) the relationship of benefits of given services to
17 the costs of providing such services, computing the costs
18 in loss or profit per passenger mile rather than total loss
19 or profit per route;

20 (4) the transportation needs of areas lacking ade-
21 quate alternative forms of transportation; and

22 (5) frequency and fare structure alternatives and
23 the impact of such alternatives on ridership, revenues,
24 and expenses of rail passenger service.

25 (b) The Secretary shall, no later than May 1, 1978,

1 develop and publish the preliminary recommendations de-
2 scribed in subsection (a) and submit a copy of such rec-
3 ommendations to the Rail Services Planning Office and to
4 both Houses of Congress. The Secretary shall at that time
5 also provide copies of the preliminary recommendations to
6 the Corporation, the Office of Rail Public Counsel, the In-
7 terstate Commerce Commission, the Secretary of Energy,
8 the Governors, Departments of Transportation, and Public
9 Utilities Commissions of each State in which rail passenger
10 service is proposed to be modified, the railroads affected
11 by such recommendations, the labor organizations duly
12 authorized under the Railway Labor Act to represent rail-
13 road employees, and the United States Postal Service. In
14 addition, copies of the preliminary recommendations shall
15 be made available by the Secretary to interested persons at
16 a reasonable cost. Such recommendations shall include—

17 (1) a recommended route system by end points
18 and principal intermediate points to be served;

19 (2) quality and type of service recommended for
20 each route, including frequency, speed, and classes of
21 services offered;

22 (3) ranges of projected operating expenses, rider-
23 ship, and revenues, by route, including a measure calcu-
24 lated by loss or profit per passenger mile and separated

1 for non-State supported routes and State supported
2 routes;

3 (4) an estimate of the equipment and facilities nec-
4 essary to support the recommended system;

5 (5) a recommended plan for coordinating passenger
6 rail service at points on the system with other modes
7 of transportation serving such points; and

8 (6) based upon the route level projections, and es-
9 timate of operating and capital appropriations required
10 to operate the system for fiscal years 1980 through 1984.

11 (c) During the period beginning May 1, 1978, and end-
12 ing August 31, 1978, the Rail Services Planning Office shall
13 conduct public hearings on the preliminary recommendations
14 developed by the Secretary under this section. Such public
15 hearings shall be held in such places and at such times as the
16 Office determines will afford the affected States and commu-
17 nities the greatest opportunity to participate. During such
18 period, in addition to holding public hearings, the Office shall
19 invite comment on such recommendations from the Corpora-
20 tion, the Interstate Commerce Commission, the Secretary
21 of Energy, the Governors, Departments of Transportation,
22 and Public Utilities of each State in which rail passenger serv-
23 ice is proposed to be modified, the railroads affected by such
24 recommendations, the labor organizations authorized under

1 the Railway Labor Act to represent railroad employees, in-
2 terested citizens groups, and the United States Postal Service.
3 If, following submission of such preliminary recommenda-
4 tions by the Secretary, either House of Congress passes a
5 resolution disapproving them, the Rail Services Planning Of-
6 fice shall suspend any public hearings scheduled pursuant
7 hereto, and the Secretary shall prepare revised preliminary
8 recommendations to be submitted for hearings and comments
9 in accordance with subsection (b) hercof and this subsection.
10 A resolution disapproving the preliminary recommendations
11 may modify the dates for submissions stated in subsections
12 (d) and (e) (1) hereof.

13 (d) The Rail Service Planning Office shall, no later
14 than September 30, 1978, submit to the Secretary a sum-
15 mary and analysis of the evidence received in the course of
16 its proceedings conducted under subsection (c), together
17 with its critique and evaluation of the preliminary recom-
18 mendations of the Secretary. The Secretary shall thoroughly
19 consider the material submitted by the Office with respect to
20 such recommendations and, based on such consideration
21 (and further evaluations of the Secretary), develop final
22 recommendations for a route structure for the Corporation
23 as he deems appropriate. Such final recommendations shall
24 include a summary of the significant recommendations re-

1 ceived, together with the reasons for adopting or not adopt-
2 ing any such recommendation.

3 (e) (1) The Secretary shall, no later than December 31,
4 1978, submit the final recommendations designating the
5 basic route system, together with supporting and explanatory
6 material, to both Houses of the Congress and to the Commit-
7 tee on Appropriations and the Committee on Interstate and
8 Foreign Commerce of the House of Representatives and the
9 Committee on Appropriations and the Committee on Com-
10 merce, Science, and Transportation of the Senate. The final
11 recommendations shall be deemed approved and shall take
12 effect only upon the adoption by both the House of Repre-
13 sentatives and the Senate of a resolution approving such final
14 recommendations. If, following submission of the final rec-
15 ommendations by the Secretary, either House of the Con-
16 gress passes a resolution disapproving such recommendations,
17 the Secretary shall prepare revised final recommendations.
18 All such revised final recommendations shall be submitted to
19 both Houses of Congress and the committees herein named
20 for approval in accordance with this subsection.

21 (2) Pending approval of the final recommendations
22 developed by the Secretary under this section and notwith-
23 standing any other provision of law, the route system of the
24 Corporation in effect on January 1, 1978, may not be modi-

1 fied or restructured, except with respect to those routes (A)
2 designated for modification by the board of directors of the
3 Corporation prior to such date, or (B) initiated subsequent
4 to such date by the Corporation pursuant to section 404 (a)
5 of the Rail Passenger Service Act (45 U.S.C. 564 (a)).

6 (3) Immediately upon approval of the final recommen-
7 dations of the Secretary, the Corporation shall implement
8 the basic route system designated in such recommendations
9 and shall complete such implementation as soon thereafter
10 as possible.

11 (f) The provisions of section 404 (c) (1) of the Rail
12 Passenger Service Act (45 U.S.C. 564 (c) (1)), including
13 the criteria and procedures developed under such section,
14 shall not apply to the preliminary or final recommendations
15 developed by the Secretary under this section. After the
16 effective date of the basic system designated in the final
17 recommendations of the Secretary, any additions, deletions,
18 or modifications in such basic system may be made by the
19 Corporation in accordance with the criteria and procedures
20 developed under such section 404 (c) (1) . The basic system
21 designated in the final recommendations of the Secretary
22 shall supersede any other system or route previously in
23 effect.

NORTHEAST CORRIDOR

1

2 SEC. 4. Section 703 of the Railroad Revitalization and
3 Regulatory Reform Act of 1976 (45 U.S.C. 853) is
4 amended—

5 (1) in paragraph (1) (A) (i) thereof, by inserting
6 “at most” immediately before “a 3-hour-and-40-minute”
7 and “a 2-hour-and-40-minute”, respectively;

8 (2) in paragraph (1) (B) thereof, by inserting “or
9 other responsible parties” immediately after “(or local
10 or regional transportation authorities)”; and

11 (3) by adding at the end thereof the following new
12 paragraph:

13 “(5) COMPATIBLE EQUIPMENT.—The Corporation
14 shall develop economical and reliable rolling stock and
15 related equipment designed to be compatible with the
16 track, operating, and marketing characteristics of the
17 Northeast Corridor at and after the completion of the
18 Northeast Corridor improvement project, including the
19 capability to reliably meet the trip times set forth in
20 paragraph (1) (E) of this section in regularly scheduled
21 revenue service in the Northeast Corridor. The Secretary
22 shall advise and assist the Corporation in the develop-
23 ment of such equipment. The Corporation shall submit

1 requests for authorization of appropriations for the pro-
2 duction of such equipment and shall, together with the
3 Secretary, include equipment planning in the reports
4 required by paragraph (1) (E) of this section.”.

5 TRANSPORTATION OF CERTAIN ANIMALS

6 SEC. 5. Section 21 of the Animal Welfare Act (7
7 U.S.C. 2151), relating to the safe transport of animals, is
8 amended by adding at the end thereof the following new
9 sentence: “The Secretary shall exempt from the require-
10 ments of this Act the transportation of cats and dogs in
11 rail passenger service whenever the Secretary determines
12 that such transportation substantially complies with this
13 Act and the rules, regulations, and orders promulgated pur-
14 suant to this Act, will result in an increase in reliable and
15 humane transportation service, and will not be detrimental
16 to the animals involved.”.

17 TRANSPORTATION OF MAIL

18 SEC. 6. Section 5203 (a) of title 39 of the United
19 States Code, relating to transportation of mail by surface
20 carriers, is amended by adding at the end thereof the
21 following new sentence: “In establishing mail routes and
22 selecting carriers to provide mail transportation services
23 thereon, the Postal Service shall use the railroad services
24 operated by the Rail Passenger Service Corporation so long
25 as using such railroad services results in no deterioration of

1 mail services or increase in costs to the Postal Service, such
2 Corporation, or the Federal Government.”.

3 NEW ENTRY INTO SYSTEM

4 SEC. 7. Section 404(a) of the Rail Passenger Service
5 Act (45 U.S.C. 564(a)), relating to non-Amtrak train
6 discontinuance, is amended by adding at the end thereof
7 the following new sentence: “In order to continue such train
8 operations, the Corporation may, notwithstanding the pend-
9 ency of the route reexamination pursuant to section 3 of
10 the Amtrak Improvement Act of 1978, contract for the pro-
11 vision of such operations with the railroad filing the notice
12 of discontinuance. The terms and conditions of any such
13 contract shall be consistent with the provisions of the con-
14 tracts entered into by the Corporation and other railroads
15 pursuant to section 401 (a) of this Act.”.

16 OVERHEAD HIGHWAY BRIDGES

17 SEC. 8. Section 306 of the Rail Passenger Service Act
18 (45 U.S.C. 546) is amended by adding at the end thereof
19 the following new subsection:

20 “(1) The Corporation shall not be subject to any State
21 or local law with respect to the construction, maintenance,
22 repair, or rehabilitation of structures carrying public roads.”.

23 MIDWESTERN RAIL PASSENGER SERVICE CONTINUATION

24 SEC. 9. The first sentence of section 305(a) of the
25 Regional Rail Reorganization Act of 1973 (45 U.S.C. 745

1 (a)) is amended by inserting "including maintaining the
2 continuity of routes utilized for intercity rail passenger
3 services," immediately after "needs of the region,".

4 **EXPERIMENTAL ROUTE DETERMINATION REQUIREMENT**

5 **SEC. 10.** The second sentence of section 403 (c) of the
6 Rail Passenger Service Act (45 U.S.C. 563 (c)) is
7 amended by striking out "After such two-year period" and
8 inserting in lieu thereof "Within thirty days after the com-
9 pletion of such two-year period".

10 **FACILITY AND SERVICE AGREEMENTS**

11 **SEC. 11.** Section 402 (a) of the Rail Passenger Service
12 Act (45 U.S.C. 562 (a)) is amended to read as follows:
13 **"SEC. 402. FACILITY AND SERVICE AGREEMENTS.**

14 " (a) (1) (A) The Corporation may contract with rail-
15 roads or public transportation agencies for use of tracks and
16 other facilities and the provision of services on such terms
17 and conditions as the parties may agree. In the event of a
18 failure to agree, the Interstate Commerce Commission shall,
19 within 90 days after application by the Corporation, if it
20 finds that doing so is necessary to carry out the purposes
21 of this Act, order the provision of services or the use of
22 tracks or facilities of the railroad or agency by the Corpora-
23 tion, on such terms and for such compensation as the Com-
24 mission may fix as just and reasonable and the rights of the
25 Corporation to such services or to the use of tracks or facili-

1 ties of the railroad or agency under such order or under
2 an order issued under subsection (b) of this section shall be
3 conditioned upon payment by the Corporation of the com-
4 pensation fixed by the Commission. In fixing just and rea-
5 sonable compensation for the use of tracks and facilities
6 ordered by the Commission under the preceding sentence,
7 the Commission shall limit such compensation to the avoid-
8 able costs of permitting the Corporation to use the railroad's
9 or agency's tracks and facilities. In fixing just and reason-
10 able compensation for the provision of services ordered by
11 the Commission under the second sentence of this subsec-
12 tion, the Commission shall order compensation (if any) in
13 excess of avoidable costs only in proportion to increases in
14 the quality of service and only where the railroad or agency
15 provides ontime performance in excess of 80 percent of the
16 time under the fastest practicable operating schedule (consist-
17 ent with Federal safety standards established pursuant to
18 the Federal Railroad Safety Act of 1970). If the amount
19 of compensation fixed is not duly and promptly paid, the
20 railroad or agency entitled thereto may bring an action
21 against the Corporation to recover the amount properly
22 owed.

23 " (B) For purposes of this section, 'avoidable costs' shall
24 mean all reasonable and necessary expenses (including use
25 of tracks and other facilities) which would be incurred by

1 a carrier in providing a service which the carrier can estab-
2 lish that it would not incur if such service were not operated,
3 and all other services were continued. Such costs shall be
4 restricted to costs solely related to the service and the
5 variable portion of common costs which would not be in-
6 curred but for the existence of the service. Such costs shall
7 exclude fixed common costs, allocation of any common costs
8 which do not vary as a consequence of providing the service,
9 return on investment, rent, and any other costs which the
10 carrier cannot establish that it would not have reasonably
11 and necessarily incurred but for the existence of the service.

12 “(2) Notwithstanding any other provision of this Act,
13 the Corporation may enter into agreements with any other
14 railroads and with any State (or local or regional trans-
15 portation agency) responsible for providing commuter rail
16 or rail freight services over tracks, rights-of-way, and other
17 facilities acquired by the Corporation pursuant to authority
18 granted by the Regional Rail Reorganization Act of 1973
19 and the Railroad Revitalization and Regulatory Reform Act
20 of 1976. In the event of a failure to agree, the Commission
21 shall order that rail services continue to be provided, and it
22 shall, consistent with equitable and fair compensation prin-
23 ciples, decide, within 180 days after the date of submis-
24 sion of a dispute to the Commission, the proper amount of
25 compensation for the provision of such services and use of

1 tracks, rights-of-way, and other facilities. The Commission,
2 in making such a determination, shall consider all relevant
3 factors, and shall not permit cross-subsidization among inter-
4 city, commuter, and rail freight services.”.

95TH CONGRESS
2D SESSION

H. R. 11089

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 22, 1978

Mr. McFALL introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

A BILL

To provide for the designation and implementation of a revised basic rail passenger system, the restructuring of the National Railroad Passenger Corporation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Rail Passenger Service
4 Act of 1978".

5 GENERAL PROVISIONS

6 SEC. 2. (a) PURPOSE.—The purposes of this Act are
7 to—

- 8 (1) provide for the designation and implementation
9 of a revised basic rail passenger system;
10 (2) provide for the restructuring of the National
11 Railroad Passenger Corporation;

1 (3) authorize appropriations for the National Rail-
2 road Passenger Corporation for fiscal years 1979 and
3 1980.

4 (b) CONGRESSIONAL FINDINGS AND DECLARATION
5 OF PURPOSE.—Section 501 of title 45 of the United States
6 Code is amended to read as follows:

7 “§501. Congressional findings and declaration of purpose

8 “The Congress finds that modern, efficient, intercity
9 railroad passenger service is a necessary part of a balanced
10 transportation system and that the cost of providing such
11 services should be covered by the rates charged for such
12 services except where a lesser rate is in the public interest.
13 In addition, the Congress finds that there are varying levels
14 of public benefit to be derived from the provision of rail-
15 road passenger service in certain regions which justify levels
16 of public finance consistent with the public benefits realized.
17 These public benefits might include energy conservation, en-
18 vironmental enhancement, reduction of congestion experi-
19 enced by the other modes of passenger transportation and
20 the provision of accessible transportation for the elderly and
21 handicapped.”.

22 DESIGNATION AND IMPLEMENTATION OF A REVISED BASIC

23 RAIL PASSENGER SYSTEM

24 SEC. 3. (a) The Secretary of Transportation in coopera-
25 tion with the National Railroad Passenger Corporation shall

1 immediately undertake a comprehensive reexamination of
2 the Corporation's route structure from a zero base and pre-
3 pare his preliminary recommendations for a Corporation
4 route structure which will provide an optimal intercity rail-
5 road passenger system based upon current and future
6 market and population requirements. In developing his
7 recommendations, the Secretary shall consider the adequacy
8 of other transportation alternatives serving the same points;
9 any unique characteristics and advantages of rail service as
10 compared to other modes of transportation; and the relation-
11 ship of the benefits of given services to the costs of providing
12 such services.

13 (b) PRELIMINARY RECOMMENDATIONS.—The Secre-
14 tary shall develop and publish his preliminary recommen-
15 dations required under this section on or before May 1, 1978.
16 Such recommendations shall include—

17 (1) a recommended route system by end points
18 and principal intermediate points to be served;

19 (2) quality and type of service recommended for
20 each route in terms of frequency, speed, and classes of
21 service offered;

22 (3) ranges of projected operating expenses, rider-
23 ship, and revenues, by route;

24 (4) an estimate of the equipment and facilities
25 necessary to support the recommended system; and

1 (5) based upon the route level projections, an
2 estimate of operating and capital appropriations re-
3 quired to operate the system for fiscal years 1979
4 through 1982.

5 (c) PUBLIC COMMENT.—The Secretary shall publish
6 and submit his preliminary recommendations to the Na-
7 tional Railroad Passenger Corporation; Interstate Com-
8 merce Commission; the Governors of every State; railroads
9 affected by the recommendations; labor organizations duly
10 authorized under the Railway Labor Act to represent rail-
11 road employees and such other organizations as may so
12 request in writing to the Secretary. Those parties are hereby
13 invited, within 90 days after receipt of the preliminary re-
14 port of the Secretary, to review such report for consistency
15 with the purposes of this Act and to provide the Secretary
16 with their comments and recommendations in writing.

17 (d) FINAL REPORT.—Within 90 days after the close
18 of the public comment period provided for in section 3 (c)
19 of this Act, and after due consideration of same, the Secre-
20 tary shall submit his final report designating the basic system
21 to the Congress. Such final report shall include a summary
22 of recommendations received, together with his reasons for
23 not adopting any such recommendations.

24 (c) REVIEW BY CONGRESS.—The Secretary's final re-
25 port required under section 3 (d) shall be deemed approved

1 at the end of the first period of 60 calendar days of con-
2 tinuous session of Congress after the date of transmittal of
3 the final report, unless the Congress passes a concurrent res-
4 olution stating that such report recommendations are not
5 approved. If the Congress passes a resolution of disapproval,
6 the Secretary shall submit to the Congress, within 60 days
7 of disapproval, a report embodying his revised recommenda-
8 tions which shall be deemed approved when the Congress
9 passes a concurrent resolution stating that such revised report
10 recommendations are approved. For the purposes of this
11 section, continuity of session of Congress is broken only by
12 an adjournment sine die; and the days on which either
13 House is not in session because of an adjournment of more
14 than three days to a day certain are excluded in the com-
15 putation of the 60-day period.

16 (f) The National Railroad Passenger Corporation shall,
17 upon approval of the Secretary's final report, immediately
18 commence implementation of the system designated therein
19 and shall complete implementation within 60 days.

20 (g) In cases of discontinuance of service, the Secretary
21 shall consider the need for future rail passenger service by
22 negotiating, under reasonable terms and conditions, options
23 for the future use of railroad plant, rights-of-way, facilities,
24 and structures.

1 (h) The provisions of section 404 (c) (1) of the Rail
2 Passenger Service Act, as amended, shall not apply to the
3 preliminary recommendations and final report of the Secre-
4 tary prepared pursuant to this Act, and shall not apply to
5 the implementation by the National Railroad Passenger
6 Corporation of the system designated in said final report.
7 Except as herein provided, nothing in this section suspends
8 or terminates the authority of the Corporation to make route
9 and service changes under the provisions of section 404
10 (c) (1).

11 **RESTRUCTURING OF THE NATIONAL RAILROAD PASSENGER**
12 **CORPORATION**

13 SEC. 4. (a) The second sentence of section 541 of title
14 45 is amended to read as follows: "The Corporation shall
15 provide intercity rail passenger service."

16 (b) Notwithstanding any other provision of law, the
17 term of each member of the board of directors shall expire
18 on the date of approval of the Revised Basic Rail Passenger
19 System established pursuant to section 3 of this Act.

20 (c) Section 543 of title 45 is amended to read as
21 follows:

22 **"§ 543. Directors and officers**

23 "(a) (1) The Corporation shall have a board of 3
24 directors who are citizens of the United States selected as
25 follows:

1 (A) the Secretary of Transportation,

2 (B) the Secretary of the Treasury,

3 (C) one member elected annually by the common
4 stockholders of the Corporation.

5 “(2) Any vacancy in the membership of the board shall
6 be filled in the same manner as in the case of the original
7 selection.

8 “(3) The board shall elect one of its members annually
9 to serve as chairman.

10 “(4) Any member not employed by the Federal Gov-
11 ernment shall receive compensation at the rate of \$300 for
12 each meeting of the board he attends. In addition, each mem-
13 ber shall be reimbursed for necessary travel and subsistence
14 expenses incurred in attending meetings of the board.

15 “(b) BYLAWS.—The board of directors is empowered
16 to adopt and amend bylaws governing the operation of the
17 Corporation. Such bylaws shall not be inconsistent with the
18 provisions of this chapter or the articles of incorporation.

19 “(c) APPOINTMENT; TENURE, DUTIES OF PRESIDENT
20 AND OTHER OFFICERS.—The Corporation shall have a presi-
21 dent and such other officers as may be named and appointed
22 by the board. The rates of compensation of all officers shall
23 be fixed by the board. No officer of the Corporation shall re-
24 ceive compensation at a rate in excess of that prescribed for
25 level II of the Executive Schedule under the section 5312 of

1 title 5; except that this limitation upon compensation shall
2 not apply in the case of the president of the Corporation if
3 the board determines with respect to such officer that a
4 higher level of compensation is necessary and is not higher
5 than \$66,000 or the general level of compensation paid of-
6 ficers of railroads in positions of comparable responsibility,
7 whichever is lesser. Officers shall serve at the pleasure of the
8 board. No individual other than a citizen of the United States
9 may be an officer of the Corporation. No officer of the Cor-
10 poration may have any direct or indirect employment or fi-
11 nancial relationship with any railroad during the time of his
12 employment by the Corporation.”.

13 (d) The amendments to section 543 of title 45 shall be
14 effective on the date of approval of the Revised Basic Rail
15 Passenger System.

16 (e) Effective on the date of enactment of this legisla-
17 tion, the Corporation shall be subject to the provisions of
18 section 665 of title 31, United States Code.

19 (f) Title 45 of the United States Code is amended by
20 adding the following new section:

21 **“§550. Duties and responsibilities of management; budg-**
22 **etary and accounting standards**

23 **“(a) MANAGEMENT AND STEWARDSHIP OF ASSETS;**
24 **SUPERVISION OF EMPLOYEES.—**The board of directors and
25 the president of the Corporation shall be responsible for the

1 efficient and economical management of the National Rail-
2 road Passenger Corporation. They shall exercise proper
3 stewardship over all assets and property of the Corporation.
4 They shall establish and maintain sound internal manage-
5 ment control systems. They shall provide for reasonable and
6 proper supervision of all employees.

7 “(b) BUDGETARY AND ACCOUNTING STANDARDS.—
8 The Corporation shall, by regulation, prescribe budgetary
9 and accounting standards which—

10 “(1) are in accordance with subsection (a) of this
11 section, sections 551, 552, and 553 of this title and the
12 report requirements of section 554 of this title;

13 “(2) provide accurate and reliable information use-
14 ful for managerial decisionmaking; and

15 “(3) are, as nearly as is practicable, in accordance
16 with generally accepted accounting principles.

17 “(c) APPROVAL BY THE COMPTROLLER GENERAL.—
18 The Corporation shall, as soon as is practicable, submit all
19 standards and systems issued under subsection (b) of this
20 section for modification and/or approval by the Comptroller
21 General under the provisions of chapter 1A of title 31,
22 United States Code.”.

23 (g) Title 45 of the United States Code is amended by
24 adding the following new section:

1 **“§ 551. Operations account**

2 “(a) ESTABLISHMENT AND OPERATION.—There is
3 hereby established within the Treasury an “operations ac-
4 count”. The account shall receive or be accountable for all
5 revenues, other income, collections, refunds, proceeds from
6 the sale of assets, money, checks, and other forms of legal
7 tender in connection with the activities of the Corporation.
8 The account shall be used exclusively to pay all necessary
9 operating expenses in connection with the provision of rail
10 passenger services and other services as authorized by this
11 chapter. The account shall not be used for capital expendi-
12 tures nor for general and administrative expenses authorized
13 under sections 552 and 553 of this title.

14 “(b) BUDGET SUBMISSION; AUTHORIZATION OF AP-
15 PROPRIATIONS.—The Corporation shall submit to the Con-
16 gress, in accordance with the provisions of section 581 of title
17 31, United States Code, an operations budget which shall be
18 financed from the receipts available in the operations ac-
19 count and appropriations authorized by this subsection. Such
20 amounts shall be available as one fund for all necessary
21 operating expenses of the Corporation in the manner and to
22 the extent provided in appropriation Acts. There is hereby
23 authorized to be appropriated for operating expenses any
24 and all receipts available or to become available in any par-
25 ticular fiscal year together with—

1 “(i) \$460,000,000 for the fiscal year ending Sep-
2 tember 30, 1979; and

3 “(ii) \$460,000,000 for the fiscal year ending Sep-
4 tember 30, 1980.”.

5 (h) Title 45 of the United States Code is amended by
6 adding the following new section:

7 **“§552. Capital acquisitions or improvements**

8 “(a) For the payment of capital acquisitions or im-
9 provements there is hereby authorized to be appropriated
10 \$100,000,000 in fiscal year 1979 and \$100,000,000 in fiscal
11 year 1980. Such sums shall remain available until expended.

12 “(b) Funds appropriated under subsection (a) of this
13 section shall be used exclusively for the acquisition by lease
14 or purchase of property of any interest therein which will
15 have an expected useful life of more than one year including,
16 but not limited to, locomotives, railroad cars, land and any
17 interest in land, plant, structures and equipment.”.

18 (i) Title 45 of the United States Code is amended by
19 adding the following new section:

20 **“§553. General and administrative expenses**

21 “(a) For the payment of general and administrative
22 expenses there is authorized to be appropriated \$50,000,000
23 in fiscal year 1979 and \$50,000,000 in fiscal year 1980.

24 “(b) Funds appropriated under subsection (a) of this

1 section shall be used for salaries and administrative expenses
2 of the office of the president of the Corporation and all other
3 personnel and related costs of the central management staff
4 as well as other staff functions.”.

5 (j) Title 45 of the United States Code is amended by
6 adding the following new section:

7 **“§ 554. Reports to the Congress**

8 “(a) ANNUAL REPORT.—On or before January 15 of
9 each year, the Corporation shall submit to the Congress a
10 comprehensive and detailed statement of financial position
11 as of September 30 of the year preceding, a statement of
12 changes in financial position and a statement of revenues
13 and expenses for the fiscal year ending September 30 of the
14 year preceding. The report shall also include a literal state-
15 ment on the accomplishments and activities of the Corpora-
16 tion as well as any statistical data or comparisons which the
17 Corporation may deem useful and informative.

18 “(b) CURRENT SERVICES ESTIMATES FOR FIVE
19 YEARS.—The Corporation shall submit a statement, in ac-
20 cordance with the provisions of section 605 of the Con-
21 gressional Budget Act of 1974, of estimated revenues,
22 expenses, capital expenditures, and proposed budget au-
23 thority for the five ensuing fiscal years. The statement may
24 also include estimates based on certain program or legis-
25 lative changes the corporation may from time to time

1 propose or recommend. The estimates shall be submitted
2 in a manner similar to the classifications employed in the
3 most recently approved appropriation Act.

4 “(c) COMPTROLLER GENERAL.—The Comptroller Gen-
5 eral shall prepare a report which shall accompany the
6 annual report required by subsection (a) of this section.
7 The report shall contain—

8 “(1) a statement on and an analysis of the fairness
9 and consistency of the financial statements required by
10 subsection (a) of this section;

11 “(2) an analysis of the compliance of the Corpora-
12 tion with the provisions of section 628 of title 31,
13 United States Code;

14 “(3) an analysis of and recommendations on the
15 execution of management’s duties and responsibilities
16 under section 550 (a) of this title.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

CED8-287
B-175155

June 1, 1978

The Honorable Harley O. Staggers
Chairman, Committee on Interstate
and Foreign Commerce
House of Representatives

Dear Mr. Chairman:

In our testimony before the Subcommittee on Transportation and Commerce, House Committee on Interstate and Foreign Commerce, on March 20, 1978 (copy enclosed), we mentioned that H.R. 11089, which proposes revision of the basic rail passenger system and for restructuring the National Railroad Passenger Corporation (Amtrak), contains several provisions we believe should be revised.

According to its sponsor, Congressman McFall,

"the primary goal of this legislation is the development of a rational railroad passenger route system to meet our Nation's needs today and in the foreseeable future."

The underlying principle which the bill seeks to pursue is the development of a coordinated transportation system which allows the consumer a choice of services but encourages maximum economy and efficiency. There are two aspects of the proposed legislation that are intended to accomplish this goal. First, the bill provides for a major restructuring of Amtrak. Second, certain budgetary and accounting changes are proposed to bring Amtrak more in line with public rather than private sector operations.

We would like to draw your attention to the following provisions that we believe warrant reconsideration or revision.

Section 3: Designation and Implementation of a Revised Basic Rail Passenger System:

Section 3(a) calls for the Secretary of Transportation to undertake a comprehensive study of the Amtrak system and prepare preliminary recommendations for a route structure providing an optimal intercity rail passenger system based on current and future market and population requirements.

Section 3(b) provides a deadline of May 1, 1978, for publication of the Secretary's preliminary recommendations. We suggest the deletion of the phrase "on or before May 1, 1978," and in lieu thereof provide, "as soon as possible but not to exceed (insert desired number of days) days after the date of enactment of this section."

Section 4: Restructuring of the National Railroad Passenger Corporation:

Section 4(a) proposes to amend the second sentence of section 541 of title 45, United States Code (1970), by deleting the phrase, "for profit corporation." According to Congressman McFall in his comments before the House upon introducing H.R. 11089, this deletion recognizes that Amtrak is not a "for-profit" corporation and "has not operated with the goals and objectives that one finds in a normal private sector corporation." It should be noted, however, that the section 4(a) deletion would have no effect on Amtrak's corporate structure. Amtrak would still remain subject to the provisions of 45 U.S.C. 501, et seq., and the District of Columbia Business Corporation Act, D.C. Code 29-901 et seq. If this bill is enacted, these laws may no longer be appropriate for application to Amtrak.

Section 4(c) would amend section 543 of title 45, United States Code, by reducing the number of directors from 17 to 3. The new board would be comprised of the Secretaries of Transportation and Treasury, and one member elected annually by the common stockholders of the corporation. One effect of the reduction of board members would be to increase common stock (i.e., railroad) participation on the board from 3/17 to 1/3, while at

the same time completely eliminating any consumer representation on the board. Presently, 45 U.S.C. 543 provides for such representation by requiring that

"(4) Not less than three members appointed by the President shall be designated by him, at the time of their appointment, to serve as consumer representatives, of whom not more than two shall be members of the same political party."

Section 4(e) of H.R. 11089 would make the Corporation subject to the provisions of 31 U.S.C. 665, commonly known as the Antideficiency Act, even though the Corporation is not an agency or establishment of the Government. Section 665 was intended to keep all the departments of the Government, with respect to the incurring of obligations for expenditures, within the limits and purposes of annual appropriations provided for conducting their lawful functions, and to prohibit any officer or employee of the Government from involving the Government in any contract or obligation for the payment of money for any purpose in advance of appropriations made for such purpose. Since H.R. 11089 would not change the nongovernmental status of Amtrak or its employees, section 4(e) might better accomplish its intended purposes if the particularly desired restrictions and limitations of 31 U.S.C. 665 were specified rather than just making Amtrak generally "subject to" section 665. Alternatively, Amtrak officers and employees could, for section 665(a) and (b) purposes, be considered officers and employees of the United States.

Section 4(f) of H.R. 11089 would add new sections to Title 45 of the United States Code including, among others, the following subsections:

Subsection 550(b) would require the Corporation to prescribe budgetary and accounting standards in accordance with subsection 550(a) and sections 551, 552, 553 and 554 (report requirements). No Government corporation is so restricted; they are expected to prepare business-type budgets and be audited in accordance with principles and procedures applicable to commercial corporate transactions. We believe Amtrak should be treated the same.

Subsection 550(c) would require that the principles and standards developed under subsection 550(b) be approved by the Comptroller General "under the provisions of chapter 1A of title 31, United States Code." Subsection 65a of the referenced chapter specifically excludes, with limited exceptions not here pertinent, "any Government corporation or agency subject to the Government Corporation Control Act." We believe the National Railroad Passenger Corporation, as a mixed ownership Government corporation, should be consistently treated like other corporations subject to the Government Corporation Control Act and should not be required to submit its commercial-type principles and standards to the Comptroller General for approval.

Section 551 would establish an "operations account" into which would be commingled all revenues and other receipts from the public and all direct appropriations by the Congress. Section 553 would provide a separate appropriation for general and administrative expenses. Since the Corporation as defined by 45 U.S.C. 541 "will not be an agency or establishment of the United States Government," we do not believe it should receive direct appropriations. We suggest the Corporation be financed through grants from the Secretary of Transportation as is presently the case. We oppose commingling direct appropriations with operating revenues because of the difficult control problems that would result.


Section 4(j) of the bill would amend title 45 of the United States Code by adding new section 554. Subsection (a) of this new section concerns the content of Amtrak's annual report to Congress and appears duplicative of the present report content requirements of 45 U.S.C. 548(b).

Section 554(c) would require the Comptroller General to report on the fairness and consistency of Amtrak's annual financial statements, and on the execution of Amtrak management's duties and responsibilities. The Comptroller General's report would accompany Amtrak's annual report. However, the proposed legislation would not rescind section 805 of the current legislation which provides for annual audits of Amtrak's financial statements by certified public accountants, and an annual performance

audit by the Comptroller General. We believe that section 805 of the current legislation provides adequate audit and reporting authority and that section 554(c) of the proposed bill is not needed.

Finally, we would point out as a general observation that enactment of the bill would effect fundamental changes in Amtrak's structure and financing which cannot be implemented at once. We suggest, therefore, that consideration be given to including in the bill a delayed effective date and detailed transition provisions.

Sincerely yours,


Deputy Comptroller General
of the United States

Enclosure



DEPARTMENT OF TRANSPORTATION
FEDERAL RAILROAD ADMINISTRATION
WASHINGTON, D.C. 20590

OFFICE OF
THE ADMINISTRATOR

JUN 13 1978

Honorable Harley O. Staggers
Chairman, Committee on Interstate
and Foreign Commerce
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On May 15, 1978, the Committee on Interstate and Foreign Commerce reported favorably upon, and recommended passage of, the Amtrak Improvement Act of 1978 (H.R. 11493). This letter is to inform you that we have serious concerns about several provisions, and because of them, would oppose the provisions as currently written.

This legislation provides for implementation of a new Amtrak route structure. The study leading to this new system was undertaken in response to the concerns of the Congress and the Administration with Amtrak's rapidly rising costs. These provisions of concern to us would all add significantly to the cost to the public of providing intercity rail passenger service without providing commensurate benefits.

1. The bill requires that before the Secretary's final recommendation for a new Amtrak route structure shall take effect, both Houses of the Congress must adopt a resolution approving those recommendations. We are concerned that such a requirement for direct Congressional approval will excessively delay, if not prevent, implementation of any new Amtrak route system. Moreover, the requirement will unnecessarily subject the proposed route structure to local political pressures, likely resulting in the continued operation of routes which have no economic or transportation policy justification. This requirement could well result in maintenance of the status quo, with an unsatisfactory route structure continuing to contribute to the very serious deterioration in Amtrak's financial picture.
2. The bill does not contain any language designed to clarify the nature of Amtrak's payments to the railroads under section 402(a) of the Rail Passenger Service Act. Unless language similar to that contained in S. 3040 is adopted, a recent ICC ruling in the compensation case of Amtrak and the Texas and Pacific Railway Company, if

applied to all other railroads, could result in an unwarranted additional requirement for Federal subsidy to Amtrak of as much as \$100 million per year. Most of that amount will not go to compensating the railroads for services which are directly provided to Amtrak, but will instead reimburse the railroads for costs which they would incur even if Amtrak did not exist.

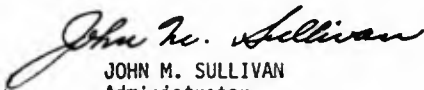
3. Section 14 of the bill would amend section 403(b) of the Rail Passenger Service Act to give the ICC the authority to order Amtrak to institute 403(b) services requested by the states which the ICC finds are consistent with the public interest. We are concerned that this provision would interfere both with the legitimate management responsibilities of the Amtrak Board of Directors and with the Congressional authorization and appropriation process. Under this amendment, the ICC could, in effect, require the Amtrak Board to reduce important services elsewhere in the system to provide funds for operation of specific 403(b) services, or alternately, to force the Board to come to Congress for additional appropriations to operate such services.
4. The bill, in section 3(e)(2), would freeze the existing Amtrak system through the end of Fiscal Year 1979, with certain exceptions. We believe that such a freeze is unnecessary and would be unduly costly. I note that the Senate Bill contains no such freeze and, in fact, that the Senate Commerce Committee Report on S. 3040 indicates a strong intent that Amtrak immediately move to apply the route and service criteria to eliminate routes and to operate within the \$510 million authorized in the Senate Bill. In our preliminary route study recommendations, we have projected a need for an operating subsidy of \$575 million in FY 1979, and have assumed orderly transition to the new Amtrak system, commencing immediately after Congressional review of the Secretary's final route structure recommendations. Such a transition would permit routes to be dropped from the Amtrak system beginning in mid-1979. We would support legislation which facilitated such a transition.
5. Section 15 of the bill would authorize Amtrak to operate commuter services under contract with state or local governments. We have promised in our preliminary report on the Amtrak route structure to further study the commuter issue and to provide you, in our final report,

with recommendations as to the proper Amtrak role in providing commuter services. We believe that any modification to the law regarding the provision of commuter services by Amtrak prior to that time would be premature.

6. Section 5 of the bill confers jurisdiction upon the ICC under Part 1 of the Interstate Commerce Act to conduct hearings upon complaint of an aggrieved motor carrier over any rate, fare, charge, or marketing practice of Amtrak with respect to any route or service which operates at a loss. It is our view that this provision would encourage hosts of complaints from "aggrieved" motor carriers. The Interstate Commerce Commission would probably become involved in every rate increase or decrease planned by Amtrak, and an unnecessary and unproductive amount of legal, procedural and bureaucratic activity would be added to the process.

My staff and I are available for further discussion of any of these points at your convenience.

Sincerely,


JOHN M. SULLIVAN
Administrator

Mr. ROONEY. Also at this time, I would like to announce some schedule changes. Tomorrow's hearing will be at 2 p.m. in a room to be announced. We are unable to acquire a room at this time. We will announce it by the end of this committee hearing. If not, you will be notified sometime this afternoon.

Our first witness today is Mr. Henry Eschwege, director.

It was announced last week that we would have hearings on Wednesday, but at the request of my colleague, Mr. Madigan from Illinois, that has been changed. Wednesday's hearings will be postponed until April 5.

Mr. Eschwege, you may proceed.

STATEMENT OF HENRY ESCHWEGE, DIRECTOR, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY HERBERT McLURE, ASSISTANT DIRECTOR; AND CLARENCE SEIGLER, SUPERVISORY AUDITOR

Mr. ESCHWEGE. Thank you. I would like to introduce my colleagues here this morning. On my left is Mr. Herbert McLure, assistant director in charge of our work involving the railroads, and on my right is Clarence Seigler, who is supervisory auditor in charge of our work at Amtrak.

We are here today to discuss our ongoing work at Amtrak and our initial observations concerning the provisions of H.R. 11089. At your request, we have just completed a review of Amtrak's operating costs, its route profitability systems, and some aspects of its route systems. Our written report will be released shortly. We did not ask Amtrak to respond formally to the report, but have discussed our findings with Amtrak officials.

We have also completed our annual review of Amtrak's performance required by section 805 of the Rail Passenger Service Act. This year we reviewed Amtrak's long-range goals to develop high-speed corridor service outside the northeast. The resulting report should be available in the near future.

Moreover, we recently published a special analysis of Amtrak's 5-year plan and copies have been provided to the subcommittee. We are also reviewing some of Amtrak's high cost routes and how the route criteria and procedure approved by the Congress in 1976 have been applied. Our report on that work should be available in June. A list of our prior reports on Amtrak is included as appendix I [see p. 42] to this statement. Appendix IV [see p. 43] explains our recommendations in those reports and Amtrak's actions in response to our recommendations.

Now, I shall talk about the background. Under the program authorized by the Rail Passenger Service Act, Amtrak is charged with developing, operating, and maintaining a safe, modern, and efficient national rail passenger system. It operates, both directly and through contracts with operating railroads, about 1,500 trains per week over about 27,000 route-miles. It also manages a capital improvement program designed to upgrade equipment and facilities.

From Amtrak's beginning in May 1971 through September 1977, it generated revenues of almost \$1.5 billion, but incurred operating

expenses of more than \$3.3 billion. The resulting deficits totaled \$1.85 billion. During the same period the Government provided operating subsidies of about \$1.6 billion, loan guarantees of \$900 million and grants of more than \$229 million for Amtrak's capital acquisitions and improvements.

Amtrak management recently estimated that its revenue for fiscal year 1978 will be \$323.1 million and that operating expenses of \$901.1 million will be incurred. The federal operating subsidy for the year is expected to be \$536 million. Since only \$506.5 million has been appropriated, Amtrak needs a second supplemental appropriation this year of \$29.5 million to continue all existing routes and services.

Amtrak has laced its Government operating subsidy requirement for fiscal year 1979 at \$613 million. The administration's budget, however, proposes \$510 million, a difference of \$103 million.

Our work at Amtrak has convinced us that if Amtrak's subsidy is to be reduced significantly from the amounts Amtrak has asked for, substantial reductions in service will be necessary. These reductions would entail discontinuation of some of Amtrak's least-used and most heavily subsidized routes.

We carefully considered Amtrak's costs in coming to this conclusion, and found a few areas in which we believe Amtrak's management may be able to achieve better efficiency. For example, maintenance is Amtrak's largest area of expense. Two years ago we recommended that Amtrak develop productivity standards for these activities so management could better control costs. Amtrak still needs to develop these standards.

Amtrak lost more than \$40 million on food and beverage service in 1977. Also sanitary conditions were not always maintained. Amtrak management should work to reduce losses and should strive to provide exemplary service that meets all sanitary and safety standards.

Direct labor costs for operating locomotives are high because negotiated work rules often permit a day's pay for less than a day's work. For example, ConRail work rules require that Amtrak pay the equivalent of about four people to operate the locomotive between Detroit and Chicago. A single bus driver makes the same 6-hour trip. Although Amtrak seems to be able to do little about these work rules, it should continue to work toward a more rational approach.

Although we have identified these and other areas that warrant management attention, we want to emphasize that we did not identify any areas of mismanagement where efficiencies could be achieved that would appreciably reduce Amtrak's subsidy need.

As part of our review of Amtrak's operating costs, we also reviewed the route by route costs and revenues Amtrak reported in its most recent 5-year plan and Amtrak's estimates of the savings that would result if a route or service were discontinued. We found the assumptions used to prepare these estimates to be reasonable and the methods of gathering data reliable and accurate.

Amtrak has grown substantially since it began operations in 1971. The number of Amtrak routes has increased from 25 to 40, the num-

ber of trains per week is up 20 percent, and the train miles per week are up 40 percent. Yet, ridership has not kept pace with the system's expansion. Amtrak carried 19.2 million passengers in 1977 compared to 16.6 million in 1972, an increase of only 15.6 percent.

Amtrak's load factors, expressed as passenger miles per train have also gone down steadily, from 126.81 in late 1974 and early 1975, to 103.81 in fiscal year 1976. The latest data show that this statistic is now below 100.

Amtrak has identified several routes as being potential corridors which may warrant development along the same lines that the Congress authorized for the northeast corridor. Our review convinced us that Amtrak's prospects for economic success on these additional corridors are bleak. Although Amtrak considers them to be some of its best routes, there simply are not enough people riding the trains to pay for the services.

Amtrak believes social and environmental benefits such as safer intercity travel, improved and more convenient services to the public, lower fuel consumption, and lower air pollution in highly populated areas justify the economic cost of rail passenger service. We found, however, that these benefits depend on increased ridership. For example, a train can be fuel efficient when heavily loaded and moving over relatively long distances, but Amtrak is not fuel efficient because it does not carry enough passengers. We have included a chart in appendix II [see p. 43] that illustrates the relative fuel efficiency of different transportation modes. Our review of Amtrak's current operations leads us to believe that passenger loads are not likely to go up unless a disruption occurs in another transportation mode.

Amtrak's 7-year experience shows conclusively that under current conditions, all but about 1 percent of intercity travelers in the United States prefer other modes of transportation. We think the reasons are straight-forward. Air travel is much quicker and more convenient for time-sensitive travelers, smoother and more comfortable, especially considering the comparatively short time the traveler occupies the airplane, and, on longer trips, air travel is in the same price range as Amtrak.

Buses go more places than Amtrak, and bus travel is somewhat cheaper. Automobiles give travelers more control over where and when they go, are convenient to have at the destination points, and are perceived as being much cheaper than the train, particularly when more than one traveler is involved. These factors are illustrated in appendix III [see p. 43]. Under current conditions, Amtrak cannot offer most intercity travelers a service that is as good as the available alternatives.

The exception that seems to prove the rule is the northeast corridor, where the train offers comparatively high speed, low fares, and where the major cities along the route have adequate public transportation minimizing the convenience value of the automobile. In 1977, Northeast corridor operations accounted for 57 percent of Amtrak's total ridership, 31 percent of Amtrak's revenues and only 24 percent of Amtrak's costs.

Given these facts, Congress' choices are limited. It can, one, give Amtrak the subsidy it has asked for and allow the present system to continue; two, give Amtrak less subsidy than it asked for and allow the system to be reduced; or three, give Amtrak a larger subsidy than it asked for and allow expended service. There are, of course, variations available within these choices.

Viewed solely in economic terms, Amtrak's rather bleak operating results would suggest little justification for continuing most rail passenger service. The Congress, however, has approved "Route and Service Criteria" which are designed to require consideration of all the economic, social and environmental factors that rail passenger services produce. If changes are to be made in Amtrak's route system, we think the route and service criteria should be used.

We are in the process of analyzing H.R. 11089 and have identified a number of provisions which raise questions in our mind. For example, section 554(c) of the proposed bill would require the Comptroller General to report on the fairness and consistency of Amtrak's annual financial statements, and on the execution of Amtrak management's duties and responsibilities. The report would accompany Amtrak's annual report.

The proposed legislation, however, would not rescind section 805 of the current legislation which provides for annual audits of Amtrak's financial statements by certified public accountants, and an annual performance audit by the Comptroller General.

We believe that section 805 of the current legislation provides us with adequate audit and reporting authority and that section 554(c) of the proposed bill is largely duplicative and not needed.

We are also examining other important changes contemplated by the proposed bill, and will provide our written comments as soon as possible.

This completes my prepared statement. I will be glad to respond to any questions you may have.

[The following information was received for the record:]

APPENDIX I

LIST OF PRIOR GAO REPORTS ON THE NATIONAL RAILROAD PASSENGER CORPORATION

(AMTRAK)

"Amtrak Needs To Improve Train Conditions Through Better Repair And Maintenance," B-175155, June 21, 1973.

"Railroad Reservation, Information And Ticketing Services Being Improved," B-175155, August 22, 1973.

"Fewer and Fewer Amtrak Trains Arrive On Time—Causes Of Delays, B-175155," December 28, 1973.

"Information On Loan Guarantee Programs Under The Rail Passenger Service Act And The Regional Rail Reorganization Act, RED-75-329," February 26, 1975.

"How Much Federal Subsidy Will Amtrak Need?," RED-76-97, April 21, 1976.

"Quality Of Amtrak Rail Passenger Service Still Hampered By Inadequate Maintenance Of Equipment," RED-76-113, June 8, 1976.

"Amtrak's Incentive Contracts With Railroads—Considerable Cost, Few Benefits," CED-77-67, June 8, 1977.

The following table illustrates the passenger miles per gallon of fuel and passenger fatalities per 10 billion passenger-miles for the various intercity transportation modes:

APPENDIX II

FUEL EFFICIENCY AND SAFETY OF MAJOR INTERCITY TRANSPORTATION MODES

	Passenger- miles per gallon fuel ¹	Fatalities per 10,000,000 passenger-miles ²
Bus.....	116	3
Amtrak.....	56	1
Automobile.....	40	140
Airlines.....	20	6

¹ 1976.² 3-yr average (1974-76).

APPENDIX III

AMTRAK FARES ON POTENTIAL CORRIDOR ROUTES COMPARED WITH OTHER TRANSPORTATION MODES

	Fare necessary for Amtrak to break even	Amtrak	Bus	Air ¹	Automobile	
					Full cost	Incre- mental cost
Chicago to Milwaukee.....	\$38.75	\$6.25	\$5.50	\$25.00	\$14.45	\$4.25
Chicago to Detroit.....	29.80	20.50	21.40	40.00	47.43	13.95
Los Angeles to San Diego.....	14.45	9.00	8.35	11.45	21.76	6.40

¹ Lowest existing day coach fare.² Round trip ticket reduces 1-way cost by approximately 5 pct.

APPENDIX IV

AMTRAK ACTIONS ON RECOMMENDATIONS FROM PRIOR GAO REPORTS

AMTRAK'S INCENTIVE CONTRACTS WITH RAILROADS—CONSIDERABLE COST,
FEW BENEFITS (CED-77-67, JUNE 8, 1977)

When Amtrak began service they contracted with 20 railroads to operate the trains. These cost-reimbursement contracts did not produce satisfactory performance by the railroads, which were paid as much for poor service as for excellent service.

To encourage better performance, Amtrak negotiated incentive contracts with 10 railroads in 1974. Incentives were paid for good performance and penalties assessed for poor performance.

GAO found that the incentive provisions had major deficiencies and that in some cases it was impossible to be sure that the railroads complied with the provisions. GAO concluded that the incentive payments had little effect on performance.

To improve incentive provisions in Amtrak's future contracts GAO recommended that;

Railroads be penalized for poor on-time performance,

Arrival times be reported by Amtrak staff,

On-time performance be measured at major intermediate points especially for schedules that are not properly structured,

Amtrak penalize railroads for unsatisfactory car cleaning,

Amtrak reward railroads for doing more maintenance work than expected and penalize them for not doing what is expected.

GAO also found efficiencies with the flat rated (fixed amount) provisions of the contracts. Flat rates frequently exceeded the railroads' actual cost for providing the service. GAO recommended that in renegotiating flat rates, Amtrak consider what a service should cost in addition to actual historical cost.

Amtrak action on recommendations

Amtrak applied most of these general principles in negotiating subsequent contracts with railroads. GAO agrees Amtrak's latest incentive contracts are substantially improved.

**QUALITY OF AMTRAK RAIL PASSENGER SERVICE STILL HAMPERED BY INADEQUATE
MAINTENANCE OF EQUIPMENT (RED-76-113, JUNE 8, 1976)**

GAO recommended that Amtrak:

Take equipment out of service when necessary to insure that scheduled maintenance is done and give sufficient leadtime notice to refurbishment contractors.

According to an Amtrak official fewer cars are being overhauled today because of budget restrictions. Reduced funding resulted in a 205 car backlog on October 1, 1977, of equipment needing overhauls. Amtrak estimates that at September 30, 1978, this backlog will rise to 319 cars.

Develop specific inspection guidelines and staffing criteria for field inspectors.

Amtrak has developed guidelines for inspectors, however, no staffing criteria exists for determining the number of inspectors needed at each facility. The number of inspectors required is determined by foremen based upon the work demands at any particular location.

Make periodic, formal evaluations of the individual railroads' performance and use these evaluations as the basis for taking action, including legal action, if necessary, to get the railroads to comply with the contract terms.

A contract audit group has been established to periodically review railroad performance to ensure they are providing services as outlined in the contracts. This group is responsible for identifying and reviewing excessive costs paid to the railroads. In some cases litigation has been brought against railroads to recover these costs.

Assign a high priority to completing the automated maintenance system, to avoid further delays, and to insure completion at the earliest possible date.

Amtrak has implemented an automated system for inventory control with computer terminals located at major stocking facilities. In the future, Amtrak plans to use the system to procure all parts and supplies.

Include work productivity standards, after Amtrak develops them, in its contracts with the railroads.

Amtrak told us it is currently developing productivity standards, however, these standards have not been implemented. As a result, Amtrak does not know what opportunities for improvement exist.

HOW MUCH FEDERAL SUBSIDY WILL AMTRAK NEED? (RED-76-97, APRIL 21, 1976)

GAO's study showed Amtrak's projected revenues were optimistic, expenses understated, many items were not supported by documentation, and that the 5-year plan should have shown a need for greater Federal assistance than it did.

To improve these deficiencies GAO recommended that Amtrak make an effort to base projections on each route's market potential taking into consideration actions necessary to attract potential ridership.

In our recent report entitled, "An Analysis of Amtrak's Five Year Plan" (PAD-78-51, March 6, 1978) we further discuss Amtrak's planning and the changes they have made.

**FEWER AND FEWER AMTRAK TRAINS ARRIVE ON TIME—CAUSES OF DELAY
(B-175155, DECEMBER 28, 1973)**

GAO reported that Amtrak's on-time performance was poor and getting worse.

We concluded that Amtrak's contracts with the railroads needed to be amended to include reasonable, definitive and enforceable on-time performance standards to provide a basis for obtaining cooperation from the railroads in achieving improved performance. Amtrak's objective was to have trains on time on 90 percent of their trips.

Our work indicates that, although Amtrak has taken suggested actions to improve, it has not achieved its goals for on-time performance. In fiscal 1977 Amtrak trains were on time only 62 percent of the time. Amtrak believes speed restrictions placed on SDP40F locomotives and severe winter weather are the primary causes for their poor on-time performance.

**RAILROAD RESERVATION, INFORMATION AND TICKETING SERVICES BEING IMPROVED
(B-175155, AUGUST 22, 1973)**

GAO recommended that Amtrak establish a monitoring program to evaluate effectiveness of measures taken to improve its reservations and ticketing op-

erations. Amtrak has initiated a monitoring program that provides daily and weekly reports on the number of calls received, answered, lost and the number of wire messages received. Amtrak uses this system to monitor the effectiveness of its improvement program.

AMTRAK NEEDS TO IMPROVE TRAIN CONDITIONS THROUGH BETTER REPAIR
(B-175158, AUGUST 22, 1973)

GAO recommended that Amtrak should:

Take direct responsibility for maintaining and repairing its passenger cars and locomotives.

Establish procedures for inspecting car maintenance and repairs and increase the number of employees assigned to inspection of cars and locomotives.

Enforce train crews' use of car condition trip reports.

Establish a maintenance record system for passenger cars.

Expedite establishment of a parts inventory control system for passenger cars.

Award refurbishment contracts on the basis of open competition.

Schedule passenger cards in advance for refurbishment.

Prepare detailed specification for refurbishment.

Hold contractors responsible for defective refurbishment.

Amtrak has taken action on all these recommendations. Most are addressed in our subsequent report entitled, "Quality of Amtrak Rail Passenger Service Still Hampered By Inadequate Maintenance of Equipment" (RED-76-113, June 8, 1976) while others are discussed in our draft report "Amtrak Cannot Operate Its Present Route System For Less."

Mr. ROONEY. Thank you very much, Mr. Eschwege.

Louis Harris and Associates recently issued a public opinion poll on Amtrak. Have you seen the poll?

Mr. ESCHWEGE. Yes, sir, I have.

Mr. ROONEY. I wonder if you would indicate for the committee how much this poll cost Amtrak, and, in your opinion, whether you believe such a poll is worthwhile.

Mr. ESCHWEGE. I understand it cost \$97,000. I am not prepared to compare the benefits versus the costs of this, but I think from time to time it is necessary to get some input from the general public about how they feel about Amtrak.

I can comment a little bit about what I get out of this poll, if you would like me to.

I think it shows that the public is more optimistic about Amtrak, they wanted it to be there, but it does not necessarily show they are going to use it. I think the majority of the general public is saying, yes, we want it and we may want to use it if there is a disruption of another transportation mode, such as if we have a severe energy crisis.

So, it does not, to me, really indicate that there will, under current conditions, be a substantial increase in the number of people that will use Amtrak.

Mr. SKUBITZ. Are you saying then what the public wants is an insurance policy on transportation?

Mr. ESCHWEGE. I think, Mr. Skubitz, that is what I am saying, yes.

Mr. SKUBITZ. Would you be willing to say or would you say that they are willing to pay for that insurance?

Mr. ESCHWEGE. I am not sure they were asked that question, Mr. Skubitz. I do not know.

Mr. SKUBITZ. I did not see the questionnaire that the gentleman spoke of. Did they cover that area or not?

Mr. McLURE. They did ask in the poll whether those responding would favor continued subsidies or increased subsidies to improve the system. And, the poll indicated that many people would prefer to do that. However, there were other questions they did not ask that bear on the issue.

Mr. SKUBITZ. What was the percentage, can you tell me?

Mr. McLURE. It was around 50 percent. We can provide you a copy of the poll if you wish.

Mr. SKUBITZ. It should be in there since it was brought up.

Mr. McLURE. I do not see it right off—

Mr. SKUBITZ. Fifty percent of the people said they were willing to pay more subsidies.

Mr. McLURE. I guess we had better provide that for you later.

[The following information was received for the record:]

LOUIS HARRIS AND ASSOCIATES SURVEY

The national survey of public attitudes toward inter-city rail passenger travel recently conducted by Louis Harris and Associates for Amtrak asked Americans whether the Federal Government should be spending more, less, or about the same amount of money on nine transportation areas. The Louis Harris and Associates March 1978 report states:

"The American public's ratings of the Government's transportation spending priorities further indicate that the public wants to upgrade inter-city train travel. When Americans were asked whether the Federal Government should be spending more, less or about the same amount of money on the nine transportation areas, auto safety again topped the list, with 63% wanting more Government money spent. Next is commuter mass transportation (58%), followed by three items relating to inter-city rail travel:

"Providing comfortable trains that can cut travel time in half (53%).

"Improving the quality and availability of rail passenger travel on trips 100 miles or more one way (51%).

"Improving the quality and availability of rail passenger travel on trips 300 miles or more one way (50%).

"Among the other proposals, 40% want the Government to spend more to improve the quality and availability of bus transportation, 34% want to spend more money to build new highways, 26% want to spend more on building faster methods of air travel.

"Again, auto safety, mass transportation and inter-city rail passenger service dominate the list, with highway construction at the lower end of the list, as areas where the American public wants to see more Government expenditures.

"The public's mandate to upgrade American passenger railroad service is best exemplified by the fact that an overwhelming majority of Americans, 64%, favor the Federal Government providing funds to totally upgrade passenger service to improve comfort, speed, frequency and reliability of service."

Mr. SKUBITZ. Thank you all.

In your opinion, the poll rating has moved up from 40 percent, I believe, in 1972 to 55 percent positive in this year of 1978. I wonder if you would give your opinion as to the increase in popularity. Has this been reflected in increased ridership?

Mr. ESCHWEGE. No, it really has not been reflected in increased ridership but you have to consider that we have more routes than we had in the past. And, as I pointed out in my statement, if you translate that in terms of load factors, which I think is an important measure, the load factors per passenger-miles per train have gone down from 126.81 in late 1974 to less than 100 at this time.

So, really in absolute numbers it has increased in ridership but not in terms of the number of trains running.

Mr. ROONEY. Do the results of this poll agree with the review that you have made?

Mr. ESCHWEGE. I do not think that we find anything to disagree with in the results of this poll.

Mr. ROONEY. On page 5 of your testimony, you state that because of a lack of ridership Amtrak's prospects for economic success with new corridors is bleak.

In your opinion, has Amtrak undertaken any programs to increase ridership in the corridors outside of the Northeast corridor?

Mr. ESCHWEGE. Well, it does have an advertising campaign, as you know, to try and attract additional riders, but it has a hard time doing it because, as I pointed out, not more than 1 percent of the traveling public is willing to take Amtrak at this time, and, in fact, only about 0.7 percent are riding it.

Mr. ROONEY. The 5-year plan indicated 134.8 million dollars for capital expenditures in fiscal year 1978. How does this vary from the previous plans that Amtrak has prepared?

Mr. ESCHWEGE. I can start this off. Maybe Mr. McLure would like to add something to it after that.

This is one of our problems, Mr. Chairman, that the plans that are prepared do not go back and reconcile the estimates that were made in prior plans. Every year Amtrak comes up with different figures on what it needs for its capital improvements.

Mr. ROONEY. They are noted for that.

Mr. ESCHWEGE. And that is why we would have great difficulty in trying to reconcile it.

Mr. McLURE. Well, the \$134 million, that varies from year to year, but the numbers within the \$134 also vary. For example, in last year's plan, dining and buffet services, they expected to spend a couple of million dollars in the Chicago area, sometime in 1981, I believe, and in this current plan they expected to spend the money in 1979. Because they do not show you how those numbers shifted around it is really hard to tell just what they do intend to spend their capital money for and when.

Mr. ROONEY. Mr. Florio?

Mr. FLORIO. I agree with the framework you are using for analysis, that is the concept of cost deficiency. You used passenger load, and made reference to the food and beverage losses. Within the food and beverage losses, the viability of that approach is even further illustrated, but the overall loss, I forget what the number was, \$54 million or something?

Mr. ESCHWEGE. It is \$40 million.

Mr. FLORIO. That is \$40 million. Then, if you break down the losses on the short haul, that is the corridor losses versus the long haul, the percentage of losses is much greater on the long haul than it is on the short haul. This is due to the need for the same amount of equipment having as many passengers using it.

So, you divided the number of passengers into losses and it comes out much greater on the long haul. From that, I think it is also significant to evaluate the two concepts. One is the national system; Amtrak is trying to spend on the national system for advertising and I am not convinced the maximum effort put forth into that cam-

paign is going to result in any reduced costs per passenger because, as you indicated, you are not going to be able to attract that many new passengers to justify the cost that is going into this new expanded system.

Accordingly, it seems to me, if you have got to rein in, you may very well have a more profitable approach or less of a loss approach if you do start concentrating in those corridors where there is a proven need for the service. That is why many people were particularly upset when last October cuts were being made in those areas that were most utilized, the Northeast corridor. The metro-liners that were being cut did not seem to make economic sense, as well as any long-term policy sense. You talked about the route and service which I think we both know have not been used that much in terms of making a determination as to which lines should be cut.

This bill in a sense is almost saying forget about the route and service criteria, we are going to let DOT come up with a plan. I read the bill and I am not sure what it is DOT is going to use. They are not required to use the route and service criteria. I would like to hear from someone before the hearings are over, what the philosophic thought DOT is going to be using to come up with a plan.

If the bill were to pass, we are effectively saying here is my money, DOT is coming up with a plan, hopefully by the end of this year, Congress will have ability to pass upon it, nevertheless, we are aware when the plan comes forth it is going to be very difficult to have—

Mr. ROONEY. If the gentleman will yield, I think we are going to hear from Mr. Sullivan who is the Administrator of FRA. He would, I think, have the expertise to answer that question.

Mr. FLORIO. Is it fair to say you are not optimistic about current approach that Amtrak is taking in trying to advertise on cereal boxtops to get more people to utilize the train on a national basis?

Mr. ESCHWEGE. I will be frank with you, Mr. Florio, it is very hard to find a direct relationship with the amount of advertising that you do and the amount of additional ridership you can get through advertising. If you speak simply in terms of economic success, you know, you are not going to have it at Amtrak.

As the president of Amtrak has said, even if you filled all of these trains that you have, you would still lose \$75 to \$100 million a year. So you have to go to these other benefits, these social and environmental benefits, to decide whether the country needs Amtrak and in what specific locations.

I might add that other countries have had that same decision to make and they have had to, at least to some extent, subsidize their passenger services also for different reasons.

Mr. FLORIO. Thank you, Mr. Chairman.

Mr. ROONEY. The gentleman from Kansas, Mr. Skubitz.

Mr. SKUBITZ. Thank you, Mr. Chairman. I would like you to tell us what we have to do, more subsidies and keep them running and less subsidies and put them out of business?

If I read your report correctly, one of the things that has contributed to Amtrak's losses is increasing energy costs, is that right?

Mr. ESCHWEGE. That is one factor, yes.

Mr. SKUBITZ. Could you give me an estimate about how much?

Mr. McLURE. Yes, fuel costs, are about \$40 million. The fuel cost is not the greatest factor. Fuel is expensive, but—

Mr. SKUBITZ. I want to get all the factors. I would like to get a percentage breakdown right now. This is one thing Amtrak cannot take care of any more than we are taking care of it on a national level.

Mr. McLURE. That is true. We can supply that number for you very easily.

Mr. SKUBITZ. I wish you had it when we had the hearings because we never go back and look at them later on.

Mr. ROONEY. I think you are speaking for yourself, Mr. Skubitz.

Mr. McLURE. \$42 million is the fuel cost.

Mr. SKUBITZ. Is that percentagewise?

Mr. McLURE. Out of \$800 million, that is.

Mr. SKUBITZ. I do not have the time you have to look at these.

Mr. McLURE. It is about 5 percent.

Mr. SKUBITZ. That is a 5-percent increase? We had a railroad—

Mr. McLURE. No, no, that is about 5 percent of their total cost.

Mr. SKUBITZ. I think featherbedding, you can use the nasty word, I think that is what you were talking about.

Mr. ESCHWEGE. We were talking about labor costs.

Mr. SKUBITZ. That is four operators on the train and one on the bus, which means that the brotherhood of this country better be taking a look at what is going to happen to passenger service. Either they are going to have to come up with some sort of appeal. It takes less to operate a passenger train than it takes on a freight train.

The jobs are not identical, and, therefore, something better be done or they are going to vote their fellows out of jobs. I think this is one area that some money could be saved. It really does not make sense to me, and I told my brotherhood friends a number of times, the old rule of 125 miles is a days work just does not apply today.

A fellow cannot put on his suit and take a train down the track 60 miles an hour and 2 hours later he has earned a days pay. Something has to be done in this area if we are going to keep the trains running. I am not criticizing, I am just simply laying down a fact of life in this instance.

Mr. ESCHWEGE. Mr. Skubitz, this is the biggest cost item.

Mr. SKUBITZ. Sure it is.

Mr. ESCHWEGE. Sixty percent of the operating costs, it is.

Mr. SKUBITZ. It is one of the two things we are going to have to close down the rails, some of these lines, and put these fellows off work, or we are going to have to reach some new understanding in regards to labor costs on rail passenger service, and keep these men working and pay them a decent wage for doing a decent days work.

Second, I think you said Amtrak has only picked up 1 percent more ridership, is that correct?

Mr. ESCHWEGE. No, Amtrak's maximum that—

Mr. SKUBITZ. That is 15 percent?

Mr. ESCHWEGE. Yes, sir.

Mr. SKUBITZ. I think that is due to several reasons, one cost of riding Amtrak. It does not make a lot of sense to go from here to Kansas City in 2½ hours on the plane, and it takes about 27 hours

to do it on Amtrak, and pay less for a coach seat on the plane than you pay for first class on Amtrak. Something has to be done and the answer to that, as I said, I will repeat it again and will until January 1 of next year, Mr. Chairman, that we are just going to have to develop a high speed system so that a person can go from here to Kansas City in no more than seven or 8 hours, and get people to ride the train.

You are not going to do that until you develop a roadbed that will carry that sort of a train. Somewhere along the line, Mr. Chairman, the Government is going to have to do something about either taking over the roadbeds on a leased basis and fixing them up so passenger trains can operate or we are just going to have to ride with these losses from now until eternity.

I appreciate your testimony. I think you have laid out the facts of life here. The answers are not quite as simple as telling us what is wrong.

Thank you, Mr. Chairman.

Mr. ROONEY. Thank you, Mr. Skubitz.

H.R. 11493 provides \$341 million for capital expenses, whereas the President's budget provides \$130 million for capital.

In your opinion, how much should Congress authorize for this purpose?

Mr. ESCHWEGE. I am afraid I have not even seen this bill yet. We tried to get a hold of it Friday. I really do not have a good answer for you, but I could take a look at it and see if I could.

Mr. FLORIO. Conceptually, do you think it is a good idea to be authorizing capital expenditures for a system we would not know the extent of until the end of the year. That is, the specifics I assume of this bill will pass, certainly before the DOT recommended sister comes down.

Do you think conceptually it is good to commit moneys for capital improvement when we do not know what the system is going to be?

Mr. ESCHWEGE. I think it is a good point. I would not worry about it if it was for the Northeast corridor, because I am sure it is not going to be discontinued, but I would have some concern if our analysis would show it is for one of those marginal operations that might well be discontinued. That needs to be looked at.

Mr. FLORIO. Thank you.

Mr. ROONEY. Mr. Eschwege, the President's budget provides \$510 million for operational expenses for fiscal year 1979 whereas H.R. 11493, which you have not seen, provides \$633 million which I understand tracks the 5-year plan.

The department, I understand, is going to testify that \$633 million is too high and that we should authorize such sums as necessary but does not indicate what sums should be authorized.

I wonder if you would give your opinion to the committee, how much money would be required to be authorized for fiscal year 1979, assuming that there would be no change in the present route structure?

Mr. ESCHWEGE. As we indicate in our statement, if there are no changes in the present route structure, we think that the \$613 million is about the right amount. Now, the \$633 million that is appar-

ently in the bill is an authorization, but Amtrak has really asked for \$613 million.

Now the administration has asked for \$510 million. We tried to reconcile what the OMB has put into the budget with what Amtrak has done and we could not find any good basis for reducing the \$613 to \$510 million other than possibly that they were hoping Amtrak could make some cut in its operations.

Mr. McLURE. If you would like to hear about the capital expenditure estimate. Amtrak broke down the \$340 million, \$341.4 million among passenger equipment, motive power, repair facilities, and right of way capital. The changes that they believe they will make given the smaller number that the President's budget has in it, \$101 million, they will cut passenger equipment improvements from \$122 million to about \$25 million.

They will cut motive power from \$80 million to about \$14 million. They will expect to increase their expenses on repair facilities because, I suppose, keeping the old equipment. They expect they will require more of it; the other changes are relatively minor.

Right of way improvements will go from \$77 million down to about \$11 million. That is what it would cost you not to give them the \$341 million. Whether they need the improvements that are in the \$341 million depends on whether ridership increases occur and other things happen and we cannot predict that.

Mr. ROONEY. I will agree Amtrak is unpredictable.

I wonder what equipment would be purchased if \$130 million is authorized by Congress and what equipment would Amtrak be unable to purchase if we do not authorize \$341 million.

Mr. McLURE. I think you had probably better ask Amtrak specifically what changes they will make.

Mr. ROONEY. All right, thank you very much.

Before we close, let me get back to Mr. Florio's question about advertising. As you know, Amtrak is now advertising, as he pointed out, on the Kellogg's pack, that for each three Kellogg's boxtops you can get a free trip. Don't you think it would be better to advertise in the form of excursions rather than three Kellogg's boxtops? I would like to know, by the way, what it costs to advertise with Kellogg's.

Mr. McLURE. I think we have the number, but I do not have it on the tip of my tongue.

Mr. ROONEY. Approximately?

Mr. ESCHWEGE. We do not have it. I do know about the Kellogg's advertising and it has created a lot of publicity for Amtrak, as you know. I guess most of it was from those who feel that that may not be the appropriate medium for conducting advertising campaigns.

As far as I know, Amtrak has also excursion fares in addition to this kind of advertising device. I just do not have those figures, but I would be glad to try and find them for you.

Mr. ROONEY. We will ask Amtrak.

Thank you very much, Mr. Eschwege, for your very fine presentation.

Mr. ROONEY. Our next witness is Hon. Daniel O'Neal, chairman of the Interstate Commerce Commission, and I wish to commend you,

Chairman O'Neal, on the fine job that you have done since assuming the leadership at ICC.

For example, the recently issued report on Amtrak's operations, in my opinion, is the finest report issued by the ICC in many years and I want to commend you.

STATEMENT OF HON. A. DANIEL O'NEAL, CHAIRMAN, INTERSTATE COMMERCE COMMISSION, ACCOMPANIED BY DICK SCHIEFELBEIN, CHIEF, SECTION OF ANALYSIS AND EVALUATION AND RAIL SERVICES PLANNING OFFICE

Mr. O'NEAL. Thank you, Mr. Chairman. I am always happy to start out a hearing with positive comments. I have with me Mr. Dick Schiefelbein, chief of the section of Analysis and Evaluation and Rail Services Planning Office. We have a very short statement which I will run through with your permission.

We are, of course, pleased to have the opportunity to testify on the bill that has been introduced by Chairman Staggers and the other bill introduced by Chairman McFall.

A key provision contained in each of these bills would establish a reexamination of Amtrak's route structure. The Commission believes that such a reexamination is appropriate, and, in general, supports this concept. We believe, however, that the route reexamination process set forth in H.R. 11403 is preferable to the one set forth in H.R. 11089, and support its enactment. I would now like to discuss two important features of the route reexamination process, and then provide you with our views on two provisions of H.R. 11089 which are not included in H.R. 11493.

The first feature is public participation in the route reexamination. As I mentioned, both bills would establish a process for the comprehensive reexamination of Amtrak's route structure.

The bills differ substantially, however, in the amount and type of public input and technical evaluation each would incorporate in the planning process. The commission supports the route reexamination process and the more extensive active public participation features of H.R. 11493. We believe that a comprehensive reassessment of Amtrak's route structure, with emphasis on current and future population requirements, national energy considerations, and the costs and benefits of passenger service, is desirable. We feel that H.R. 11493 provides the preferable approach to this reassessment.

We would suggest one addition to the route reexamination process. In order to provide for the maximum level of public participation, we recommend that the Office of the Rail Public Counsel be directed to assist the communities and passengers who might not otherwise be able to make their voices heard by the planners in Washington, in much the same way as RSPO's public counsel did in the Northeast restructuring.

The second feature is the implementation of the new route structure. The provisions of H.R. 11089 would require Amtrak to implement the new route structure within a 60-day period. H.R. 11493 would require the implementation as soon as possible without a specific time limitation. The commission does not believe that a 60-day

period is sufficient time to accomplish substantial route and scheduling changes. Although some new routes might be easily implemented in a short period of time, others might involve track rehabilitation or complex contract negotiations and understandably require more time. Accordingly, we support the flexibility of H.R. 11493.

I would like to turn to areas of concern with H.R. 11089. First, I will discuss those provisions dealing with Amtrak's board of directors.

The Amtrak board of directors would be reduced to three members under the provisions of H.R. 11089. Under this bill, the board would consist of the Secretary of Transportation, the Secretary of the Treasury, and a number elected by the common stockholders, who are the railroads which joined Amtrak.

The elimination of public representation on the board would deprive the board of representation of the views of those most concerned with the establishment and maintenance of a rail passenger system responsive to public demand. It would also leave the board with a rail management representative but no rail labor representative. We believe that representatives of other viewpoints should remain on the board.

Second, I would like to comment on the new budgetary and accounting standards which would be established by H.R. 11089. Three separate budgetary categories for Amtrak would be established by the bill—operations, capital acquisitions and improvements, and general and administrative expenses. Each budgetary category would have a separate authorization for appropriations. Essentially, this approach should give Congress greater control over Amtrak's expenditures.

Since the issue presented by this provision is the degree of control over Amtrak which Congress elects to exercise, we have no specific comments on the merits of the idea. However, we would point out that the route reexamination process is designed to tailor Amtrak's route structure to match more perfectly the demand for rail passenger service. The restructured system should be implemented and then monitored to see if the changes reduce Amtrak's deficit. Accordingly, the Congress may want to consider deferring consideration of these budgetary provisions until such time as the long-term effects of a restructured Amtrak system are more clear.

Thank you for this opportunity to present the commission's views. I will be glad to respond to any questions you may have.

[Mr. O'Neal's prepared statement follows:]

STATEMENT OF A. DANIEL O'NEAL, CHAIRMAN, INTERSTATE COMMERCE COMMISSION

Mr. Chairman, Members of the Subcommittee: Good Morning. I want to thank the Chairman and the members of the Transportation and Commerce Subcommittee for giving the Commission this opportunity to present its views on H.R. 11089 and H.R. 11493, both of which could have significant effects on the future of our national rail passenger system.

A key provision contained in each of these bills would establish a reexamination of Amtrak's route structure. The Commission believes that such a reexamination is appropriate, and, in general, supports this concept. We believe, however, that the route reexamination process set forth in H.R. 11493 is preferable to the one set forth in H.R. 11089, and support its enactment. I would like to focus first on two important features of the route reexamination process—

the participation of the public in the planning process and the implementation period—and then concentrate on specific areas of H.R. 11089 with which we have some problems—the restructuring of Amtrak's board of directors and the proposed budgetary and accounting standards.

PUBLIC PARTICIPATION IN THE ROUTE REEXAMINATION

As mentioned, both bills would establish a process for the comprehensive reexamination of Amtrak's route structure. The conferees on Supplemental Appropriations for FY 1978 directed the Department of Transportation to perform such a study and recommend a route structure to the Congress (Conference Report—H.R. 9375—Report No. 95-815—November 7, 1977—Page 17). These bills would extend the deadline for DOT's preliminary recommendations to May 1, 1978.

The bills differ substantially in the amount and type of public input and technical evaluation each would incorporate in the planning process. H.R. 11493 would require the Secretary of Transportation's preliminary recommendations to be submitted for public scrutiny through hearings conducted by the Commission's Rail Services Planning Office (RSPO). In contrast, H.R. 11089 would request comments only from organizations such as Amtrak, the Commission, the States, railroads, and the rail unions. Further, these comments would be limited to reviewing whether the recommendations were consistent with the purposes of this bill, which are (1) to develop a revised basic passenger system, (2) to restructure Amtrak, and (3) to authorize future appropriations.

The Commission supports the route reexamination process and the active public participation features of H.R. 11493. We believe that a comprehensive reassessment of Amtrak's route structure, with emphasis on current and future population requirements, national energy considerations, and the costs and benefits of passenger service, is desirable.

The substantial increase in public financial support for Amtrak since its creation emphasizes the need for public participation in the reassessment process. We believe that an active public role is necessary to assure that Amtrak's redesigned route structure is responsive to the needs of the traveling public.

As mentioned, RSPO would conduct public hearings on the DOT recommendations under the provisions of H.R. 11493. RSPO would be required to hold its public hearings in the areas affected by the preliminary route restructuring recommendations, concentrating on hearing sites where the proposed route changes could have a substantial impact on the community. After the public hearings, H.R. 11493 would require RSPO to issue a report summarizing and focusing on the public's inputs, and also to critique and evaluate the DOT's preliminary recommendations. RSPO performed a similar role in the restructuring process in the Northeast. The Northeast experience demonstrated that this approach is very effective in bringing vast and diffused public comment into sharp focus so that the public can actually have an impact on the planning process. There, the RSPO hearings and evaluations of the "Core Report" and the Preliminary System Plan helped to assure that the Final System Plan for Conrail accurately considered the public comments and the rail service needs of the region. We believe that a similar approach to passenger service will likewise be beneficial.

We would suggest one addition to the route reexamination process. In order to provide for the maximum level of public participation, we recommend that the Office of the Rail Public Counsel be directed to assist the communities and passengers that might not otherwise be able to make their voices heard by the planners in Washington, in much the same way as RSPO's public counsel did in the Northeast restructuring.

We do not believe that the public comment provisions of H.R. 11089 are adequate to assure that individual members of the public can have an input in the route reexamination process.

IMPLEMENTATION OF THE NEW ROUTE STRUCTURE

The provisions of H.R. 11089 would require Amtrak to implement the new route structure within a 60-day period. H.R. 11493 would require the implementation as soon as possible without a specific time limitation. The Commission believes that a flat 60-day limitation would not allow sufficient time to

accomplish substantial route and scheduling changes. Although some new routes might be easily implemented in a short period of time, others might involve track rehabilitation or complex contract negotiations and understandably require more time. Accordingly, we support the flexibility of H.R. 11493.

AMTRAK'S BOARD OF DIRECTORS

The Amtrak board of directors would be reduced to three members under the provisions of H.R. 11089. H.R. 11493 does not contain a similar provision. Under H.R. 11089, the board would consist of the Secretary of Transportation, the Secretary of the Treasury, and a member elected by the common stockholders, who are the railroads which joined Amtrak.

The elimination of public representation on the board would deprive the board of representation of the views of those most concerned with the establishment and maintenance of a rail passenger system responsive to public demand. It would also leave the board with a rail management representative but no rail labor representative.

BUDGETARY AND ACCOUNTING STANDARDS

H.R. 11089 would also establish three separate budgetary categories for Amtrak—operations; capital acquisitions and improvements; and general and administrative expenses. Each budgetary category would have a separate authorization for appropriations. Essentially, this approach should give Congress greater control over Amtrak's expenditures.

Since the issue presented by this provision is the degree of control over Amtrak which Congress elects to exercise, we have no specific comments on the merits of the idea. However, we would point out that the route reexamination process is designed to tailor Amtrak's route structure to match more perfectly the demand for rail passenger service. The restructured system should be implemented and then monitored to see if the changes reduce Amtrak's deficit. Accordingly, the Congress may want to consider deferring consideration of these budgetary provisions until such time as long-term effects of a restructured Amtrak system are more clear.

Thank you for this opportunity to present the Commission's views. I will be glad to respond to any questions you may have.

Mr. ROONEY. Mr. Chairman, on page 4 of your testimony, you recommend the use of the rail public counsel in the route restructure study. In your opinion, would this require any additional time to complete this study?

Mr. O'NEAL. If you require the hearing plus the participation of the rail public counsel, I do not really think so. I think that you can set up a timeframe and the public counsel can work within that.

In fact, I suppose arguably it might reduce the time in the sense that it would help structure the hearings. The rail public counsel in the Northeast restructuring assisted those who testified to make their statements more relevant to the issues that they should be addressing, and to that extent it really might help the process. I am not sure how much.

I think looking back on the northeast hearings, that those hearings were conducted within a fairly short period of time and there was full participation by the rail public counsel at that time.

Mr. ROONEY. On page 5 of your testimony, you state that you are opposed to the changes in Amtrak's board of directors proposed in H.R. 11089. I wonder if you are also opposed to the proposals in Mr. Staggers' bill or are you just opposed to any changes in the present board? Are you satisfied with the present board?

Mr. O'NEAL. Well, I think we were raising the point there that we felt that if you reduced the board members to just the Secretary of Transportation and Secretary of Treasury and the rail management,

then you are dropping out all consumer representatives, all those who probably have the greatest interest in maintaining the service.

If the service is to be maintained, we felt that some sort of consumer representation should probably be involved.

Now, that does not mean that you could not have a smaller board. Maybe they could work better if there were not so many members. But that is the thrust of that argument.

Mr. ROONEY. Mr. Florio?

Mr. FLORIO. Yes, sir.

Can you conceive a situation where as a result of DOT's recommendations going through the hearing process next year someone is going to be unhappy with the plan if the plan is going to be scaled down? I suspect that has got to be the recommendation as I read the bill.

If the Congress does not approve the plan, there is an opportunity for reevaluation, and if it does not approve the plan again, nobody says what happens. I can conceive of a situation where the plan is not approved, the money has already been appropriated for a new system, so to speak, and we will just keep going on with the existing plan.

Amtrak has expressed unhappiness with the institution of the route and service criteria. They maintain they have not got the staff to do it, it takes too long, nothing would ever happen.

Do you have any suggestion as to what could be done to ensure that the new approach will be, in fact, enacted?

Mr. O'NEAL. Well, if the involvement of Congress after the route restructuring proposal is made were a kind of veto involvement—either both houses or one house would have the power to veto the proposal, I think that would force a conclusion.

Of course, if they veto it and there is no other proposal left, then maybe you do not get anywhere. But, it would seem that the chance of a route restructuring going into effect would be greater if the action required of the Congress is a negative one rather than a positive one.

Mr. FLORIO. Tactically, do you think it might be of some value if the moneys for the system were deferred? There is enough money to get us through to the end of the year. Rather than talking about a long-term basis and tying the moneys in with the approval of the plan, thereby creating the added impetus of having money to go along with the congressional approval of the plan?

I am concerned, as I may have indicated, that we are going to have the moneys to set up a plan and the plan will not be enacted into law. I just do not think that makes any sense in terms of neatness.

Mr. O'NEAL. A lot of it depends on how much flexibility, how much leeway, the Congress wants to give to those who are structuring the plan.

Mr. FLORIO. Do you see—

Mr. O'NEAL. It would seem to me that the amount of money that Congress promises could to some extent shape the plan. If it is clear to those who are drafting this that Congress is going to sharply curtail the amount of money that goes in, that is going to make a difference.

Mr. FLORIO. From a policy standpoint, don't you think we ought to have the plan shaped in accordance with the perceived national needs and then have the Congress fund what is the perceived national need plan?

Mr. O'NEAL. I think that is the neatest way to go, probably. I think there are arguments on both sides.

Mr. FLORIO. Do you have any difficulty with it as the proposal is currently written into the law? It seems to me you are going to have the Congress sitting on the fore off, trying to redraw the plan, because they are going to have to pass a resolution of approval.

I am sure they are not going to be inclined to say yes or no. Someone is going to be wanting to make sure this line is not kept. It just seems all of DOT's recommendations are going to be thrown into the legislative jungle, so to speak. I just do not think anything is going to ultimately happen. I am inclined to think your proposal by negative responses makes a bit more sense.

Mr. O'NEAL. I think that there is no way that you can totally eliminate the kind of problem you are suggesting. All you can do is maybe change the proposal a little bit in hopes of something getting through.

Mr. FLORIO. Could I have a couple of observations, if you have any, on the effects of the Northeast corridor provision of Mr. Staggers' bill? I have tried to look at what is attempted. Have you been able to determine what it is? It is on page 9.

Mr. SCHIEFELBEIN. Are you referring to the capital equipment?

Mr. FLORIO. Page 9, Northeast corridor, and it looks like they are changing, thereby inserting almost (a) immediately 3 hours 4 minutes and (a) 2 hours, they are changing the Northeast corridor studies.

Mr. SCHIEFELBEIN. As we understand that, Mr. Florio, it was not clear in the earlier legislation on the Northeast corridor whether Amtrak could run trains faster than 3 hours and 40 minutes between here and New York and here and New York and Boston. This showed up in some of the draft legislation last summer also. And the purpose then was to make it clear that if Amtrak can run a better scheme—

Mr. FLORIO. That is faster. So it does not diminish the previous studies that were set, it just provides opportunities to improve upon those studies?

Mr. SCHIEFELBEIN. Yes, sir.

Mr. FLORIO. I have nothing further.

Mr. ROONEY. Mr. Skubitz?

Mr. SKUBITZ. I have no questions.

Mr. ROONEY. Mr. Chairman. On page 6 of your annual report you state that there were 14,757 complaints last year compared to only 9,042 complaints the previous year. I wonder if you would tell the committee what accounts for the 50-percent increase in complaints in 1 year?

Mr. O'NEAL. Well, I think one fact that might very definitely be involved is that we are making it easier to complain. I think there are more of the complaint sheets available in the trains. That maybe is one thing.

Mr. ROONEY. Who put them there?

Mr. O'NEAL. We require that they be carried on the cars.

Mr. ROONEY. What are the complaints?

Mr. O'NEAL. Most of the complaints are on time performance and complaints about the temperature control within the trains. These have been major complaints in the past, they continue to be major problems.

Mr. ROONEY. They have a lot of new equipment. Why should they have so many complaints with the temperature?

Mr. O'NEAL. Well, I think that on those trains where they have new equipment, those complaints have gone down somewhat, but this does cover a full year and so not all of those adjustments would be reflected. In other words, all of the changes in new equipment would not necessarily be reflected just yet.

Mr. SCHIEFELBEIN. Longer distance trains have a tendency to have more of the older equipment and have generated some complaints and problems with the older equipment. The new equipment has been going into short distance trains for the most part.

Time performance could have been affected by the new locomotives. There had to be a speed restriction placed on them for a while because of difficulties they had. This is not obvious to the passengers on the train. There is a valid reason why this locomotive must go slower. What the passenger perceives is only that he arrived late and has a vehicle to express his concern, and he complaints to the ICC.

Mr. O'NEAL. I would say another point—and I think it is reflected in the report—is that we are covering a period when there were severe weather conditions. When you have extremely cold weather or extremely hot weather, it shows up in complaints about temperature control and also it frequently will show up in complaints about on-time performance.

Mr. FLORIO. What is the authority of Amtrak to announce that a train has been canceled? I have had the experience personally of being in Philadelphia on a Sunday night trying to catch the last metroliner when on the board—I forget what the term they use is—effectively it is a cancellation, the train will not be coming. That causes some problems to those of us trying to travel.

Mr. O'NEAL. Yes, sir.

Mr. FLORIO. A regular train cannot arbitrarily cancel. Is there authority for Amtrak to announce a train has been annulled?

Mr. O'NEAL. We have no authority over Amtrak preventing them from doing it. Our regulation of Amtrak is minimal, only dealing with its quality of service, and that is pretty minimal, too.

Mr. FLORIO. Are they required to report to you the reasons for annulling?

Mr. O'NEAL. There will frequently be a report, but it will come in this way—we will get complaints and then we will go to Amtrak and find out what caused the problem. But, I think they have pretty wide discretion in their taking a train off.

I know it has happened to me, too, and I came here from Philadelphia during some of the severe weather conditions. They do, however, pay inconvenience or make inconvenience payments frequently when there is a complaint. They have been fairly liberal with those kinds of payments to their passengers.

Mr. FLORIO. Thank you.

Mr. ROONEY. One final question, Mr. Chairman. Do you believe that Amtrak's pricing policy has adversely affected the ability of bus companies to meet their common carrier obligations?

Mr. O'NEAL. That is a good fundamental question.

Mr. ROONEY. I know, that is why I asked it.

Mr. O'NEAL. I do not think we are prepared to say that it has gone to the point where it affects the bus carriers capacity to meet common carrier obligations.

I think it is true that in some areas Amtrak pricing has probably diverted some passengers from the busses to Amtrak. Of course, the bus companies are extremely upset by this perceived diversion of traffic away from them to Amtrak.

Amtrak, last year, carried more passengers than they ever have in their history. I think it was 19.2 million. The bus companies carried total passengers of about 340 million, but their innercity passengers are probably around 70 million and they have been going down, so there is something to be said about this shift in passenger service, passenger preference.

I was looking yesterday at the table in the back of our Amtrak report indicating that perhaps the biggest problem here is not the competition between Amtrak and the buses, but between all forms of public transportation competing with the automobile. According to the numbers we pulled out, I think 86 percent of all innercity passenger-miles are in an automobile and the airlines now carry about 11 percent of those passenger-miles, and the rest of them go to the buses, Amtrak, and some Waterways. So, we are really talking about fighting over a very small percentage of the total innercity passenger travel.

It would seem that any dramatic changes for Amtrak or for the buses may relate more to energy policy, to the cost of driving your personal automobile, or inability to get fuel, than anything else.

Mr. ROONEY. Do you know the cost of busfare between here and Boston?

Mr. O'NEAL. Well, I do not have it right with me. We can find that out. I think we have determined that busfares are very close to rail, just barely under rail, in that area.

Mr. ROONEY. Does it cost less or more to travel by bus or Amtrak from Washington to Boston?

Mr. O'NEAL. It would cost slightly less to travel by bus.

Mr. FLORIO. The time factor being what, how much more time by buses?

Mr. O'NEAL. I do not know. I do not know that off the top of my head.

Mr. FLORIO. That is relatively comparable?

Mr. O'NEAL. I would say there is not that much difference.

Mr. FLORIO. Thank you.

Mr. ROONEY. Then, in your opinion, there is no predatory pricing?

Mr. O'NEAL. I think in this area you have a difficult question. How do you define predatory pricing? You have to look, somehow, at cost. You have to look at the costs of providing services for the buses—how much does it cost them to operate and what are the

ultimate costs to Amtrak for one particular route, as compared to its entire system?

If you were to say that Amtrak is pricing unfairly in the Northeast Corridor, and thereby driving more passengers away from the buses, and that its rates ought to be changed, it is important to recognize that this is the area where Amtrak does the best. You can hardly say that they are really so far under, where they ought to be that the changes should be made.

So, we have thought about this. I realized this question might come up and I think a test could be devised to determine whether there is predatory pricing by the carrier, but I do not think it would be a very good test, a test that necessarily one would want to stand behind.

Mr. ROONEY. Thank you very much.

Mr. SKUBITZ. Mr. Chairman, under the Staggers bill, Congress must approve all routes, is that correct?

Mr. O'NEAL. Has to approve the restructured plan? Yes.

Mr. SKUBITZ. Under the McFall plan, Congress may disapprove?

Mr. O'NEAL. That is my understanding of how it would work.

Mr. SKUBITZ. Your feeling is that in the administration, Congress should keep its nose out?

Mr. O'NEAL. No, Congress is paying for this system, certainly Congress has a role to play and—

Mr. SKUBITZ. I was hoping you had the nerve to say that because really Congress in just the last few years, since the Nixon days, Congress has gotten into the habit of wanting to approve or disapprove everything that comes down the pike, not only on railroads, on everything.

If we are going to be sitting over there on the floor passing on OSHA regulations and on these sort of things, and enumerable others, we won't have time to establish policy. We are going to pass on all of the plaus; what way this country ought to travel, different economic views, social and everything else.

The only thing that bothers me, if we keep our nose out of it, do we have men in the Government today that have the experience, the stamina, and the courage to stand up to plans, to stand up to the pressures of Members of Congress?

This is what bothers me a lot because I do not know that one is any better than the other. If we do not have in the administration men who are willing to put their careers on the line, or their jobs on the line and say: "No; you are wrong," and yield to congressional pressures, that way we will have routes established that are just as bad as if the Members did it openly on the floor.

Mr. FLORIO. The only observation I would make, that presupposes the people in the administration or anybody any place else who say you are wrong, have some corner on the market of wisdom. I am not sure that always is the case, although the people—

Mr. SKUBITZ. I am not saying they have a corner on wisdom but I have a feeling that in the selection of people to these different jobs, if the men are selected or at least are supposed to be selected, which are knowledgeable in this field, far more knowledgeable than the Members of Congress who are more susceptible to yield to the pressures that put them into office.

And this is one reason I would like to transfer these things down to the different agencies and let them make the decision. At the moment we do that, I want to make sure we have people down there that are willing to stand up and be counted.

I think maybe 30 years ago we had them. I think back in the Commission—I am not saying this in any derogatory meaning to it—I go back to Joe Eastland, Colonel Johnson over on the Commission, when they used to really stand up. They used to sit in a Senator's office and I have heard them unload on the Members of the Senate at times.

I hope that you, and I think you have the courage. Sort of look back at those fellows and tell us where to head in once in awhile.

Mr. FLORIO. I want to observe that I do not know if any of the Titans of the past, as a result of—want to take credit for the state of the railroads today. I defer to the point being made. I think there is some value in that point.

Mr. ROONEY. Thank you again, Mr. O'Neal, we appreciate your testimony.

Mr. O'NEAL. Thank you.

Mr. ROONEY. Our next and final witness will be the Honorable John M. Sullivan, the Federal Railroad Administrator. You may proceed.

STATEMENT OF JOHN M. SULLIVAN, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY CHARLES SWINBURN, ASSOCIATE ADMINISTRATOR, FEDERAL ASSISTANCE

Mr. SULLIVAN. I have with me this morning, Mr. Charles Swinburn, my Associate Administrator for Federal Assistance. I would like to summarize my statement.

Mr. ROONEY. Without objection your statement will become part of the record.

Mr. SULLIVAN. Mr. Chairman, and members of the subcommittee, I am pleased to appear before you today to testify on the bill introduced by Chairman Staggers, H.R. 11493 "The Amtrak Improvement Act of 1978", and on the bill introduced by Chairman McFall, H.R. 11089, "The Rail Passenger Service Act of 1978."

I am happy to be able to say that the Department is in complete accord with the spirit of both bills. As you know, your former colleague, Congressman Adams, strongly supported the creation of Amtrak and, as Secretary, he continues to believe in the necessity of preserving an appropriate level of rail passenger service as an alternative which should be available to the public. Unfortunately, since the corporation's establishment, under admittedly difficult circumstances, the hopes originally held for its eventual profitability have not become a reality. During this time, there has been a growing debate among all concerned elements of the Federal Government over the proper role, size, and management structure of a national rail passenger system. I welcome the opportunity, which these bills present, for all of us to reach a new consensus on this issue. I am optimistic that the department can provide you with recommendations which will facilitate resolution of our problems.

Both bills direct the department to undertake a review of the Amtrak system; specify factors to be considered and specific recommendations to be made; and set forth a schedule and procedure for public comment on congressional approval. However, while both bills require a preliminary report by May 1, they establish somewhat different schedules and procedures for review and comment.

However, H.R. 11493 contains a congressional approval mechanism that gives us some concern. Section 3(e)(1) of that bill requires that the final route system go into effect only after both Houses of Congress have adopted a resolution approving the final system.

We believe this is inappropriate because of the time delays this may involve, the extensive public hearings already provided for, and the fact that this would be inconsistent with comparable provisions in earlier Amtrak and ConRail legislation.

We recommend that the committee adopt a procedure which provides that the Secretary's final recommendations take effect unless a joint resolution of disapproval is passed by Congress within 60 days. In the event of congressional disapproval, he shall have 45 days to resubmit his recommendation. At that time they shall take effect unless a joint resolution of disapproval is passed within 60 days, and should this occur the entire route study effort shall be terminated and the route and service criteria would be the whole mechanism for modifications to the system.

H.R. 11089 in addition to proposing some significant institutional changes, which I will address later, requires the specific appropriation of all operating costs, including any and all receipts plus up to \$460 million of general funds, \$100 million for capital, and \$50 million for general and administrative expenses.

H.R. 11493 proposes \$550 million for basic systems operations, \$83 million for Northeast corridor operation, and \$341.388 million for capital expenses. As part of a railroad bill presently proposed by the Department, we have suggested that fiscal year 1979 authorizing legislation provide for such sums as are necessary for operating purposes.

As you know, the President's budget provides for a fiscal year 1979 Amtrak appropriation of \$510 million for operations, \$130 million for capital, and \$25 million for debt retirement. It should be noted that if the current Amtrak system is frozen in place, pending the completion of the route study, that \$510 million will be inadequate to support Amtrak operations in fiscal year 1979. However, we believe that the \$633 million proposed in H.R. 11493 is more than will be required under any circumstances.

With regard to Amtrak's operating authorizations, we propose that the committee adopt language which combines clause (1) of section 601(a)(1) of the Rail Passenger Service Act, which authorizes funds for Amtrak's operations over its basic system, with clause (3) of that section, which authorizes funds for Amtrak's operations in the Northeast corridor.

The amounts cited do not now and never have represented Amtrak's full Northeast corridor operating expenses or cash deficits, a large share of which are still covered by the funds provided under clause (1). Recognizing that perpetuation of this 1977 adjustment

no longer serves a relevant purpose, the appropriations committees merged the separate allowances in the 1978 Appropriations Act. We recommend similar adjustment in the authorizing legislation.

H.R. 11089 proposes a number of significant institutional changes affecting both the size and composition of the board of directors, the salary of the president of the corporation, the system of accounts and internal reporting procedures utilized by the corporation, the corporation's legal status and the manner in which the corporation's operating deficit is funded.

The issue raised here and the associated problems which have led to the proposed legislation are also of great concern to the Department and the administration. As we view it, the heart of the problem is that the Department of Transportation, which is accountable to Congress for administering Federal funds under the law and particularly under the terms of the anti-deficiency act, has very limited control over the use of those funds or the operations of the corporation since it has only one vote on the board of directors.

The board of the corporation, which has control, is a private entity and is not bound by the anti-deficiency act. Clearly, the present institutional relationships need to be modified to reflect the budget realities of providing intercity rail passenger service.

Any such changes, however, in the Department's judgment, require careful study if they are to properly and carefully deal with the complex issues including the consequences of any change in the corporate structure.

Rather than support any particular approach, the Department intends to address the issue of institutional control in the preliminary route study report and based on public comments received, make final recommendations on the appropriate Amtrak relationship to the Federal Government in the context of our final report to Congress on the route system. We would be glad to offer interim advice if the committee is anxious to address this problem in the near term.

Section 4 would, by adding the words "at most" to parts of section 703 of the 4R Act, require Northeast corridor passenger service to operate "at most a 3 hour and 40 minute" schedule between New York and Boston and "at most a 2 hour and 40 minute" schedule between Washington and New York.

While we are unsure of the bill's intent in modifying the trip time goals for the Northeast corridor improvement project, we would disagree with any modification to the current trip time provisions of the 4R Act. We believe that the present act is sufficient to insure a full range of services tailored to the needs of all users of the corridor.

Section 4 of H.R. 11493 would also require Amtrak to develop, with the advice and assistance of the Secretary, rolling stock and related equipment which is compatible with the needs of the Northeast corridor after the improvement project is completed. The concurrence of the Secretary would not be required before Amtrak could purchase any such equipment.

We are in complete agreement with the intent of this section to give more prominence to Northeast corridor vehicle design in the

overall planning effort. In fact, as a part of our ongoing overall reorientation of the Northeast corridor project, to make it more "system" and "user" oriented, and less of a pure construction program, I have explicitly directed my staff to pay considerable attention to the necessity for having vehicles in place which will be compatible with the needs of the Northeast corridor when the program is completed.

Because of that reorientation on our part and because we have the resources and the knowledge to properly undertake the task, I recommend that the committee consider modifying section 4 of H.R. 11493 to charge the Department with the responsibility for developing the design and performance specifications for Northeast corridor vehicles. We would, of course, anticipate working closely with Amtrak management in the development of those specifications. We also recommend that this provision be modified to require the concurrence of the Secretary before Amtrak purchases such equipment.

The remainder of my prepared testimony deals with miscellaneous and somewhat technical aspects of H.R. 11493, Mr. Chairman. I will simply supply it for the record and I will be happy to answer any questions that you and the committee members have.

[Testimony resumes on p. 73.]

[Mr. Sullivan's prepared statement follows:]

STATEMENT OF ADMINISTRATOR
JOHN M. SULLIVAN
FEDERAL RAILROAD ADMINISTRATION

BEFORE THE TRANSPORTATION AND COMMERCE SUBCOMMITTEE OF THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE ON H.R. 11089 "THE RAIL PASSENGER SERVICE ACT OF 1978" AND ON H.R. 11493 "THE AMTRAK IMPROVEMENT ACT OF 1978"

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to testify on the Bill introduced by Chairman Staggers, H.R. 11493 "The Amtrak Improvement Act of 1978", and on the Bill introduced by Chairman McFall, H.R. 11089, "The Rail Passenger Service Act of 1978". Both of these Bills would provide Amtrak with authorizations for appropriations for Fiscal Year 1979, would direct the Secretary of Transportation to undertake the development of a new Amtrak Route System, and address various other Amtrak related issues. In addition, Mr. McFall's Bill proposes a modification of Amtrak's corporate structure and current institutional relationships.

I am happy to be able to say that the Department is in complete accord with the spirit of both Bills. Amtrak was established almost eight years ago as the result of a general consensus that some level of intercity rail passenger service was in the public interest and should be a public responsibility. As you know, your former colleague, Congressman Adams, strongly supported the creation of Amtrak and, as Secretary, he continues to believe in the necessity of preserving an appropriate level of rail passenger service as an alternative which should be available to the public. Unfortunately, since the Corporation's establishment, under admittedly difficult circumstances, the hopes originally held for its eventual profitability have not become a reality. During this time, there has been a growing debate among all concerned elements of the Federal Government over the proper role, size, and management structure of a national rail passenger system. I welcome the opportunity, which these Bills present, for all of us to reach a new consensus on this issue. I am optimistic that the Department can provide you with recommendations which will facilitate resolution of our problems.

Congressional Findings and Declaration of Purpose

Section 2(b) of Mr. McFall's Bill would amend the Congressional Findings and Declaration of Purpose of the basic Amtrak Act by requiring that the rates

charged by Amtrak should cover the costs of the service provided, except where a lesser rate is in the public interest. While this is a laudable objective and one which we wish could be achieved, I feel obliged to tell you that in the Department's judgment, the majority of the intercity rail passenger service provided by Amtrak cannot be self-sustaining in the foreseeable future.

Designation and Implementation of a Revised Basic Rail Transportation System

Both Bills direct the Department to undertake a review of the Amtrak system; specify factors to be considered and specific recommendations to be made; and set forth a schedule and procedure for public comment and Congressional approval. However, while both Bills require a preliminary report by May 1, they establish somewhat different schedules and procedures for review and comment.

H.R. 11089 requires that the Secretary publish his preliminary recommendations by May 1 and submit them to various appropriate, interested organizations and to all other interested parties who make a written request for them. By August 1, 1978, these individuals and organizations are to provide the Secretary with their written comments and recommendations. By November 1, 1978, the Secretary is to submit his final recommendations to Congress. These recommendations are to go into effect unless within 60 days the Congress passes a concurrent resolution disapproving the recommendations. In that case, the Secretary is to resubmit his revised recommendations within 60 days. The recommendations will be deemed approved if Congress passes a concurrent resolution of approval. On approval Amtrak must implement the recommendations within 60 days.

H.R. 11493 introduced by Mr. Staggers provides a somewhat broader public comment period from May 1, 1978 through August 31, 1978. In addition to expanding the list of participants, the Bill would require the Rail Services Planning Office of the Interstate Commerce Commission to hold a series of public hearings to summarize the results of these hearings and all written comments from interested public and private bodies and to provide the Secretary with a report, including its own critique of the preliminary recommendations, by 30 September. Based on these submissions, the Secretary would then submit his final report to Congress by December 31, 1978. The recommendations would go into effect as soon as Congress passes a concurrent resolution approving the recommendations and will be implemented by Amtrak "as soon as possible thereafter."

As I have stated, the Department favors the idea of an Amtrak Route Study. As you know, my staff has been engaged in the conduct of such a study since last November at the request of our Appropriations Committees. While we will be able to comply with the requirement that we have preliminary recommendations ready by May 1, there are some areas of concern identified in the two Bills which we may not be able to fully address in our preliminary recommendations. I would, therefore, appreciate the opportunity for appropriate members of my staff to meet with Committee staff so we can present in greater detail what will be included in the Department's preliminary and final recommendations. This raises the question of the different time tables in the two Bills. Given the magnitude of the task, the Department believes that the schedule of events and the opportunity for broader formal public participation set forth in H.R. 11493 would result in a more useful final report. In addition, while 60 days is sufficient time to eliminate any services which are to be dropped, in our judgment, Amtrak should be permitted at least twelve months for implementation of new services. We also support section 3(h) of H.R. 11089 which would make the Route and Service Criteria not applicable to either the Route Study or the implementation of final recommendations.

Congressional Approval

H.R. 11493 contains a Congressional approval mechanism that gives us some concern. Section 3(e)(1) of that Bill requires that the final route system goes into effect only after both Houses of Congress have adopted a resolution approving the final system. We believe this is inappropriate because of the time delays this may involve, the extensive public hearings and comments already provided for, and the fact that this would be inconsistent with comparable provisions in earlier Amtrak and Conrail legislation. H.R. 11089 provides for a Congressional veto process within 60 days by concurrent resolution. The Attorney General has significant problems with authorizing legislation which, while directing the Executive Branch to act, provides for unilateral Congressional action.

We recommend that the Committee adopt a procedure which provides that the Secretary's final recommendations take effect unless a joint resolution of disapproval is passed by Congress within 60 days. In the event of Congressional

disapproval he shall have 45 days to resubmit his recommendations. At that time, they shall take effect unless a joint resolution of disapproval is passed within 60 days. Should this occur, the entire route study effort shall be terminated and the Route and Service Criteria would be the sole mechanism for modifications to the system.

Authorizations for FY 79

H.R. 11089 in addition to proposing some significant institutional changes which I will address later, requires the specific appropriation of all operating costs, including any and all receipts plus up to \$460 million of general funds, \$100 million for capital, and \$50 million for general and administrative expenses.

H.R. 11493 proposes \$550 million for basic system operations, \$83 million for NEC operations and 341.388 million for capital expenses.

As a matter of information, Mr. Chairman, I can inform you that as part of a railroad bill shortly to be proposed by the Department, we will suggest that the FY 1979 authorizing legislation provide for "such sums as are necessary" for operating purposes. As you know, the President's Budget provides for a Fiscal Year 1979 Amtrak appropriation of \$510 million for operations, \$130 million for capital, and \$25 million for debt retirement. It should be noted that if the current Amtrak system is frozen in place, pending the completion of the route study, that \$510 million will be inadequate to support Amtrak operations in FY 79. However, we believe that the \$633 million proposed in H.R. 11493 is more than will be required under any circumstances.

With regard to Amtrak's operating authorizations, we propose that the Committee adopt language which combines clause (1) of section 601(a)(1) of the Rail Passenger Service Act, which authorizes funds for Amtrak's operations over its basic system, with clause (3) of that section, which authorizes funds for Amtrak's operations in the Northeast Corridor. The existing separation of the two clauses had its origin in a Fiscal Year 1977 budget amendment which provided Amtrak additional funds to cover increased costs related to Corridor ownership and operations. The separation has since been perpetuated, with appropriate cost escalations, in the Authorization Act of 1978 and in H.R. 11493.

The original 1977 amendment dealt with the differential between those Northeast Corridor costs already being incurred by Amtrak as a customer railroad and those anticipated by Amtrak as owner and operator. The amounts cited do not now and never have represented Amtrak's full Northeast Corridor operating expenses or cash deficits, a large share of which are still covered by the funds provided under clause (1). Recognizing that perpetuation of this 1977 adjustment no longer serves a relevant purpose, the Appropriations Committees merged the separate allowances in the 1978 Appropriations Act. We recommend similar adjustment in the authorizing legislation.

Restructuring of the National Railroad Passenger Corporation

H.R. 11089 proposes a number of significant institutional changes affecting both the size and composition of the Board of Directors, the salary of the President of the Corporation, the system of accounts and internal reporting procedures utilized by the Corporation, the Corporation's legal status and the manner in which the Corporation's operating deficit is funded.

The issue raised here and the associated problems which have led to the proposed legislation are also of great concern to the Department and the Administration. When there was some real possibility that the Corporation could operate at a profit, its independence from direct Federal Government control was perhaps appropriate. Attainment of profitability is not a likelihood in the foreseeable future. At the same time, there is growing concern shared I believe, by both the Administration and Congress, that the present institutional relationships result in an organization which is Federally supported, being able to operate outside the authorization and appropriations procedures which control other Federal Government operations.

As we view it, the heart of the problem is that the Department of Transportation, which is accountable to Congress for administering Federal funds under the law and particularly under the terms of the anti-deficiency statute, has very limited control over the use of those funds or the operations of the Corporation since it has only one vote on the Board of Directors.

The Board of the Corporation, which has control, is a private entity and is not bound by the anti-deficiency statute.

Clearly, the present institutional relationships need to be modified to reflect the budget realities of providing intercity rail passenger service.

Any such changes, however, in the Department's judgment, require careful study if they are to properly and carefully deal with the complex issues including the consequences of any change in the corporate structure.

Rather than support any particular approach, the Department intends to address the issue of institutional control in the preliminary Route Study report and based on public comments received, make final recommendations on the appropriate Amtrak relationship to the Federal Government in the context of our final report to Congress on the route system. We would be glad to offer interim advice if the Committee is anxious to address this problem in the near term.

Miscellaneous Provisions of H.R. 11493

Northeast Corridor

Section 4 would, by adding the words "at most" to parts of section 703 of the 4R Act, require Northeast Corridor passenger service to operate "at most a 3-hour-and-forty-minute" schedule between New York and Boston and "at most a 2-hour-and-forty-minute" schedule between Washington and New York. While we are unsure of the Bill's intent in modifying the trip time goals for the Northeast Corridor Improvement Project, we would disagree with any modification to the current trip time provisions of the 4R Act. We believe that the present Act is sufficient to insure a full range of services tailored to the needs of all users of the Corridor.

Section 4 of H.R. 11493 would also require Amtrak to develop, with the advice and assistance of the Secretary, rolling stock and related equipment which is compatible with the needs of the Northeast Corridor after the improvement project is completed. The concurrence of the Secretary would not be required before Amtrak could purchase any such equipment.

We are in complete agreement with the intent of this section to give more prominence to Northeast Corridor vehicle design in the overall planning effort. In fact, as a part of our ongoing overall reorientation of the Northeast Corridor

project, to make it more "system" and "user" oriented, and less of a pure construction program, I have explicitly directed my staff to pay considerable attention to the necessity for having vehicles in place which will be compatible with the needs of the Northeast Corridor when the program is completed.

Because of that reorientation on our part and because we have the resources and the knowledge to properly undertake the task, I recommend that the Committee consider modifying section 4 of H.R. 11493 to charge the Department with the responsibility for developing the design and performance specifications for Northeast Corridor vehicles. We would, of course, anticipate working closely with Amtrak management in the development of those specifications. We also recommend that this provision be modified to require the concurrence of the Secretary before Amtrak purchases such equipment.

Transportation of Animals and Mail

Sections 5 and 6 of the Bill deal with the transportation by Amtrak of animals and mail. We have brought those sections to the attention of the Agriculture Department and the Postal Service, who have responsibilities that would be affected by those sections. They have both indicated that they will independently provide any comments they might have to the Committee.

New Entry Into The System

Section 7 of the Bill authorizes the Corporation to conclude an operating agreement with any private carrier filing a petition to discontinue its own rail passenger service pending the completion of the route study. The Department believes that this section is not necessary because as a matter of law, the Corporation already possesses such authority and because any decision on such a takeover should await the outcome of the route study.

Overhead Highway Bridges

Section 8 amends the Rail Passenger Service Act as follows:

"The Corporation shall not be subject to any State or local law with respect to the construction, maintenance, repair, or rehabilitation of structures carrying public roads."

This section raises a very complicated and difficult issue. There is great doubt in many instances concerning who owns and who has the obligation to maintain highway bridges over railroads. That is especially true on Amtrak's Northeast Corridor trackage which is some of the oldest in the country and which has some of the most complicated real property records of any rail-related real estate in the country. We are finding that in some cases the railroad has a legitimate duty to maintain an overhead highway bridge and in other cases that a state or local government has the responsibility. The situation is extremely complex, the needed repairs will be very expensive in the aggregate, and we do not have enough information to make informed recommendations to you concerning specific solutions. Therefore, we propose that section 8 be deleted from the Bill and the problem be reserved for further study.

Midwestern Rail Passenger Service Continuation

Section 9 of the Bill would authorize the conveyance to Amtrak of trackage in Indiana no longer required by Conrail.

We oppose this provision on two grounds; first, we oppose any new right-of-way acquisition by the Corporation pending the outcome of the route study; second, the line concerned has already been rejected by Amtrak.

Experimental Route Determination Requirement

Section 10 of the Bill would require a decision on Secretariially-designated experimental routes within 30 days of the end of the two year period.

The Administration opposes this provision on the grounds that complete data on any route's performance is not available from the operating railroad within the time provided in this Bill.

Mr. ROONEY. Thank you very much, Mr. Sullivan. I admonished you when you appeared before this committee last week about providing the committee with your statement 48 hours before time, and I would like the record to show today that this is the first time since I have been chairman of this committee that the Department of Transportation has complied with the request of the chairman.

Mr. SULLIVAN. Thank you, sir.

Mr. ROONEY. On page 4 of your statement, Mr. Sullivan, you indicate that the bill to be proposed by the Department would provide such sums as necessary for operating purposes for fiscal year 1979. You also state that the President's budget provides \$510 million for this purpose as compared to \$613 million provided in Amtrak's 5-year plan, and you also state that the \$633 million is excessive but you do not indicate what the amount should be.

My question is, do you support the President's budget and, if not, what amount should be authorized if \$633 million is excessive? Is \$510 million too little or \$633 million too much?

Mr. SULLIVAN. The position we are in is that we are coming out of a budget construction during a period where the policy was to let the \$500 or \$510 million be the cap on Amtrak's deficit and we have through our seat on the board, tried very strenuously to insist that corporation work within the appropriated amounts of money.

We recognize, however, with the de facto freeze on the present system, that \$510 million will probably not be enough and we would expect further requests for supplemental appropriations from Amtrak. We think right now that the amount needed is somewhat in between those two numbers that you gave, Mr. Chairman, and, therefore, we used the "phrase such sums as are necessary".

Mr. ROONEY. But you do not know what sums are necessary.

Mr. SULLIVAN. We do not have a number right now.

Mr. ROONEY. I wonder if you could explain for the committee the difference between the President's budget and the 5-year plan?

Mr. SULLIVAN. I would say the major difference on the capital items, Mr. Chairman, is that in general we support Mr. Florio's earlier remark that, until such time as we know what the system will be, we would take the low side of going out and buying, or making major capital commitments. I think that limits the number of low-level cars, several millions of dollars are involved there that we were not including in the President's budget, and also of lightweight locomotives that Amtrak can buy.

We are studying the service plan for the Northeast corridor and have limited the spending on lightweight locomotives for that. We are doing what Mr. Florio said earlier: until such time as clear direction is provided by a service plan that has been adopted, we would defer those expenditures.

Mr. FLORIO. Was OMB privy to the Department of Transportation's thoughts, with regard to what you contemplate as a system in making its recommendations. OMB came up with a number, I assume the number had something to do with what you anticipate this plan that you are working on will ultimately be, or did they come up with a number in a vacuum?

Mr. SULLIVAN. Well, when you say that, our submissions to OMB are reviewed and they take exceptions to certain portions of those submissions, but they were not part of our policy decisions to hold back on this capital spending until such time as we had a clear sense of what service was required.

Mr. FLORIO. I am interested in how OMB works. I have seen so many areas where they come up with numbers and yet maintain they are not working with any of the different agencies. That seems strange; I cannot understand how OMB arrives at numbers if they do not know what the policies are that ultimately have to be financed by those numbers. I will save that for another day.

Mr. ROONEY. I wonder if you would explain for the committee the President's \$510 million?

Mr. SULLIVAN. Well, that figure is the operating deficit, Mr. Chairman. When we came aboard I think we had a number of \$488.5 million and, as I recall, there was a general policy of trying to keep Amtrak deficits within a \$500 million level.

The pressure of that deficit limit would then presumably have put pressure on the corporation to make all cost saving adjustments that Amtrak could make and, of course, the major adjustments that they can make are route and service adjustments. They were religiously going through the route and service criteria exercise leading up to the discontinuance of the Floridian, which would have saved \$10 million, so I would say the \$510 million figure was structured for the way things were at that time.

Mr. FLORIO. If you do not mind, I am going to take advantage of having you here for a minute. I was planning on calling you this week.

Last week we had our third, I think our fourth derailment in 4 weeks in my district, involving trains carrying hazardous substances. I was planning on contacting you to ask you the procedure by which I can request the Federal rail safety inspectors to come in and take a look at some of these areas, if I could.

Mr. SULLIVAN. Be happy to.

Mr. FLORIO. I will talk to you in the next day or two.

Mr. SULLIVAN. I might point out in that regard where there have been an unfortunate series of derailments, we have just, by reaction to those events, concentrated on inspections on the properties affected, so that would fall naturally into your concern.

Mr. FLORIO. With regard to today I am very impressed that what is going on today is a major policy change, coming from the administration, and embodied in this legislation. I hope this does not appear to be an overstatement. I think we are changing Amtrak, and that the administration is looking to bring Amtrak under control. I think probably benign control, but control of this administration.

The recommendations that you have made, some of the things that are in the bill, in the recommendations for changing the things in the bill that you have made, the suggestion that you prefer the veto power, two shots of veto power rather than affirmative action by the Congress, it seems to me that you are calling for a greater degree of control and I have no problems with that to a point.

I am not sure what you are going to use or do with the control when you get it. How official are we on the May 1 date for getting the preliminary plan?

Mr. SULLIVAN. We will have a preliminary plan as of May 1.

Mr. FLORIO. That will be made available to the Congress?

Mr. SULLIVAN. Yes.

Mr. FLORIO. Might I inquire of the chairman what his thoughts are with regard to a timetable for this piece of legislation, if the chairman has one?

Mr. ROONEY. It has to be reported by the 15th of May.

Mr. FLORIO. I would be very reluctant to support this legislation before we get some indication from FRA as to what it contemplates.

I think the only way we can see that, to get the conceptual view of what you do is to see that plan, so we are going—

Mr. ROONEY. You may recall, if the gentleman will yield, that we had asked for the report as of March 1, and then DOT said they could not come up with a preliminary—

Mr. SULLIVAN. There is a tremendous amount of work to be done, as you can understand, and we are grateful that we had until May 1 to come up with a preliminary plan. I think the March 1 deadline would have left us in the position of doing nothing but reevaluating information that had been generated under Amtrak's route and service criteria.

This way we will have the ability to present to the Congress a series of scenarios that will study anything from the low level, which would be just the high density corridors, with no connections nationwide on through a system that would even be larger than the present but we would be able to price these out so—

Mr. FLORIO. I assume you will determine which will be the preferred scenario?

Mr. SULLIVAN. Yes, we will have a recommendation, but we will be providing options.

Mr. ROONEY. Thank you for yielding. Let the record show, Mr. Sullivan, that the extension was not an extension by Congress or this committee, it was an arbitrary decision on the part of DOT.

Mr. FLORIO. Will the alternate scenarios be made available to the Congress?

Mr. SULLIVAN. Yes.

Mr. FLORIO. In your testimony, you make reference, and I am not sure if this is a general observation, to the antideficiency statute. Do you have any information that Amtrak is impounding monies?

Mr. SULLIVAN. I should say no, sir. Let me address that through Mr. Swinburn who is working on this problem every day.

Mr. SWINBURN. No, we have no such information, Mr. Florio. Our concern with the antideficiency statute is sort of the opposite direction; that is, unlike a Federal agency, if Amtrak knows that the rate at which it is spending money will run them out of cash before the end of the year, they do not have to pull back and conserve their spending.

Mr. FLORIO. In other words, what you are talking about is what some of us have made reference to in the past, people building crises and then coming to the Congress and saying, "Well, we have a

problem now, we have expended the money we have, unless Congress comes up with such an amount of money we are cutting off such and such lines."

Mr. SULLIVAN. That is one of our concerns.

Mr. FLORIO. I think that is a legitimate concern.

In conclusion, I am of the opinion that there has to be a tighter reign on Amtrak. I feel that the direction you are talking about is commendable under certain circumstances, and at times there have been previous administrations I have not agreed with DOT and I dislike giving great authority to DOT unless they are going to do what I think is appropriate.

Now, all I am suggesting is that I would like some congressional safeguards to reign in the virtually total control that I think is being asked for. I do not think this is an overstatement. Your suggestions about some of the structural things go to the whole question of total control by the administration.

I would like to see someone, if the Department of Transportation can address my concern, and I am sure the concerns of the other Members of the Congress, to build into some of your structural changes, some safety valve mechanisms, so that the DOT and the administration, whichever administration it ultimately proves to be, cannot just leave out the Congress. Towards that end, if we were to support this consolidation that you have talked about, I would be inclined to say that the provision in the bill, which establishes that the Congress has to take an official action, might be necessary even though I do see that as having some problems. If, in fact, you are going to have that much discretion, and they are going to change the makeup of the Board, as to how much control they will have, the Board needs to have the opportunity for Congress under extraordinary circumstances to stop things from going in different directions.

You mentioned that if, in fact, the new proposal is not approved by the Congress, then the whole thing would be off and we would revert back to utilizing the route and service criteria. That clearly has not been utilized by Amtrak.

Where do you contemplate there being any change if, in fact, the existing system does not work, and the new proposal is not approved by the Congress, we will then just go back to the existing system that does not work. That seems to me to be a nonanswer.

Mr. SULLIVAN. I think it would bring it back to this committee. I will ask Mr. Swinburn to address.

Mr. SWINBURN. That is correct; I think we envision that at that point, when the administration has been unable to come up with a plan that satisfies the Congress, that it would then be an appropriate subject to be taken up in committees both in this House and in the Senate, and there would be a plan on the table for the committees to use as a basis to begin to shape what they wanted to have as a permanent Amtrak system.

Mr. FLORIO. In other words you are talking about a major legislatively initiated overhaul of Amtrak, that we would sit down and draw the lines again?

Mr. SWINBURN. I do not think we would see any other recourse at that point.

Mr. FLORIO. I understand that. Would you regard as alternatives to that congressional action which would more specifically define what exactly is the role of Amtrak vis-a-vis the route and service criteria?

As you may know, Amtrak does not regard themselves as being required to change service or make service modifications in accordance with route and service criteria. ICC says "Yes", they say "No". I think you say "No" as well.

Might that be something the Congress can more clearly define and require that route and service changes be made by Amtrak?

Mr. SULLIVAN. I would think this would be a possibility. We certainly would have to get out of situations like the Floridian, where we sit at a board meeting and the whole Amtrak board takes the public pressure of discontinuing a route based on the route and service criteria and all the attendant public hearings and then is reversed by action of the Congress.

If the legislation could be remedied to provide mandatory route and service criteria, it would sound as though that would be a way to approach it.

Mr. FLORIO. My understanding is that the route and service criteria is mandatory as of now, aside from the service controversy. The route criteria is mandatory, Amtrak is required to do so and they have not seen fit to do so, for a number of reasons, most of which are not very persuasive, so we can go back and write the law again saying they should do it. I am not sure we would get any better response the second time than we would the first.

Thank you.

Mr. ROONEY. Mr. Skubitz?

Mr. SKUBITZ. No questions.

Mr. ROONEY. One further question, Mr. Sullivan.

Recognizing that your route structure study is not complete, am I correct in assuming that it will provide for major route restructuring?

Mr. SULLIVAN. It will provide options from a minor structure, which would be service in high density corridors without any connecting lines, to systems that would be larger than the present system, and we have indicative costs for each.

Mr. ROONEY. Am I to assume that the routes that will be discontinued will just not be rerouted?

Mr. SULLIVAN. I would like Mr. Swinburn to answer that.

Mr. SWINBURN. There will be a mix, in all of the various scenarios there is a mixture of activity vis-a-vis individual routes. Some routes will be discontinued in total in some systems, some routes will be rerouted in some systems.

There will be some new routes in some systems. Even in the larger systems, the one which is larger than the current system, there will be some of the existing routes that will be dropped and new routes will be added and there will be some reconfiguration of existing routes.

Mr. FLORIO. You were here for the testimony given by the gentleman from GAO. Do you have any observations upon what I thought was their major thrust, the concept of cost efficiency, and the fact

that you reach a point of diminishing returns, whereby the capital investment that is necessary to have a total system can never be paid for, notwithstanding the number of or the reasonableness of your expectations of paying input?

Mr. SULLIVAN. Those comments, I thought, were very accurate and display the problem really well and probably go to the root of why better control of the whole system is necessary. I would say in our preliminary study we will be addressing a series of issues, such as fare policy, which was discussed, such as quality of service, such as should you spend the capital dollars necessary to meet peak periods during holidays, so that we would, in addition to providing route and service suggestions and alternatives with a recommendation, lay out the issues that need to be addressed as well, and I think those issues were very well presented by the gentleman from GAO.

Mr. FLORIO. I would just observe that we are talking about some major transportation policy decisions that are being looked at by DOT and FRA. I am really concerned that in 15 days, if that is what we are talking about, this committee and the Congress is not going to be in a position to make some decisions to evaluate the recommendations. I would think that we would want to have hearings on these proposals that will be coming forth, and I am just apprehensive about that time table we have got worked out.

Mr. ROONEY. When can we expect the first route to be discontinued?

Mr. SULLIVAN. The final recommendation would be in December, Mr. Chairman. Now, Amtrak would then have, as I understand it, 12 months under the Staggers bill to implement.

Mr. SWINBURN. Sixty days under Congressman McFall's bill and 12 months under Mr. Staggers' bill, I believe.

Mr. ROONEY. Thank you very much. This concludes the hearings until tomorrow at 2 p.m. in a room to be announced.

[Whereupon, at 11:40 a.m. the subcommittee adjourned, to reconvene at 2 p.m., Tuesday, March 21, 1978.]

AMTRAK AUTHORIZATION

TUESDAY, MARCH 21, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2 p.m. in room 2222, Rayburn House Office Building, Hon. Fred B. Rooney, chairman, presiding.

Mr. ROONEY. The subcommittee will come to order.

Our first witness today will be one of our distinguished colleagues from California, Hon. John J. McFall.

STATEMENT OF HON. JOHN J. McFALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. McFALL. Thank you, Mr. Chairman.

A little joke before we start. Mr. Chairman, I see that you have come over to this room and it is ideally numbered for a railroad hearing because the number is 2222, and you started at 2, so you got an extra "toot" on there.

Mr. ROONEY. That is a very fine observation. This is the first time that the committee has met in this room.

Mr. McFALL. For the special reason, I suppose, because of the number. You ought to tell your staff that they have done a good job.

Mr. Chairman, I want to thank you for this opportunity to testify before your subcommittee on the National Railroad Passenger Corp. I know you have had hearings before this and you will continue to have hearings and you have been working hard to find a solution to what I consider is the continuing dilemma of where we should be going with rail passenger transportation in this country. I believe, Mr. Chairman, that we need to take some positive action now, or we will be faced with the prospect of having to take more drastic action later.

I should say at the outset that I am in favor of Amtrak. I believe it will provide a needed service to the country. I think that we have to take a look at where we are going to preserve it.

Before explaining the specifics of the legislation which I have introduced, I think it would be useful to review the history of Amtrak. Amtrak was created on October 30, 1970, with the passage of the Rail Passenger Service Act. That act authorized appropriations of \$40 million for operating grants and \$100 million in loan guarantees for capital improvements. I can remember very clearly

the debate when Secretary Volpe proposed the creation of "Railpax" as it was called. Many of those who favored the creation of Railpax—and I include myself in this group—believed that the railroads in this country had set out, consciously, to drive the American public away from passenger trains by reducing the quality and level of services, delaying trains, and neglecting equipment so that people would use other modes of transportation.

There were also people who were saying that railroad passenger service was hopelessly uneconomical and that the decline in the quality and level of rail passenger service offered by the railroads was merely a rational, economic response to market conditions. Whether this declining market was caused by the introduction of superior technology—such as jet aircraft—or by the change in transport preferences which might have accompanied the rapidly rising living standard after World War II, the facts are that the market share served by the passenger railroads suffered a dramatic decline during the post-war period. From 1934 to 1969, the railroads' share of the total passenger transportation market declined from 31.4 percent to 1.1 percent.

Out of this debate, the National Railroad Passenger Corp.—Amtrak—was born. It was conceived, at least in part, as an experiment—a test to determine whether a publicly supported corporation could succeed where privately supported corporations had failed.

In the initial years we received some encouraging reports on Amtrak's progress. In March 1972, Roger Lewis testified before our committee that:

We are convinced that substantial gains lie ahead * * * the results will be more service, to more people, with increasing revenues. Profitable operations are already within reach on some Amtrak lines, and our indications are today that profitable operation is a realistic goal.

Since that date, there has been a significant shift in the goals and objectives established for Amtrak. The goal of profitability has been abandoned and, in my view, there have been few attempts to reduce or even control costs. Since 1973, Amtrak's revenues from operations have increased 76 percent while operating expenses have increased by 161 percent. Today, the average rider pays only about one-third of the costs associated with rail passenger transportation; the taxpayer pays two-thirds of these costs. Instead of \$140 million as envisaged in 1970, or \$465 million as authorized in 1972, Amtrak will have cost the American taxpayer a total of \$3.4 billion by the end of the current fiscal year. And this does not include the funds provided for the Northeast corridor improvement program.

What lies ahead? On October 7, Amtrak submitted its 5-year plan to the Congress. That plan proposes that the Federal Government spend an additional \$3.8 billion during the next 4 fiscal years. Unfortunately, even if this funding level is approved, in 1982 Amtrak's revenues would still cover less than 40 percent of the corporation's total costs.

In looking at the history and the projected future for Amtrak, I have come to the conclusion that it is time for a change. I firmly believe if we continue to incur costs, such as those contained in Amtrak's 5-year plan, that at some point in the future the American

taxpayers are going to demand that the entire Amtrak system be scrapped. This, in my opinion, would have a detrimental impact on our Nation's transportation system.

As you know, the GAO has also looked at Amtrak and concluded that: "If Amtrak's subsidy is to be reduced significantly from the amounts Amtrak has asked for, substantial reductions in service will be required." Another point made by the GAO which I feel is significant is that Amtrak is not fuel efficient. The figures we have received from the Department of Transportation support that conclusion. I have attached the Department's comparison's of the various modes as an appendix to my statement.

In another report issued last June, the GAO indicated that Amtrak's so-called incentive contracts with the railroads have been very costly but have resulted in few improvements.

Mr. Chairman, I wish I had an ideal solution that would be satisfactory to everyone, but I do not. I certainly will work with your committee to come up with the best possible solution. However, in view of the fact that we have faster, less expensive, and more energy efficient alternatives available, I believe we need a more rational system which can be operated at less cost to the American taxpayer. I am hopeful that your committee can report a bill which will help accomplish these objectives.

The legislation which I have introduced, H.R. 11089, is one alternative which I think you should consider. It would provide a mechanism for developing, implementing, and operating a revised rail passenger system to meet our Nation's needs today and in the foreseeable future.

H.R. 11089 provides for the Secretary of Transportation to submit by May 1, 1978, preliminary recommendations for a revised rail passenger system. The bill would also provide a 90-day period for public comments and an additional 90 days for the Secretary to develop his final recommendations and submit them to Congress. The Congress would then have 60 days to disapprove the route system recommended by the Secretary.

Section 4 of the bill provides for the restructuring of the National Railroad Passenger Corp. In so doing, it recognizes the obvious, that is, that Amtrak is not a for-profit corporation and has not operated with the goals and objectives that one finds in a normal private sector corporation.

Amtrak's increasing dependence on Federal operating subsidies is one example of this situation. Another example involves Amtrak's fiscal year 1978 funding request. About 1 year ago, Amtrak's president testified before our committee that he supported a \$500 million operating subsidy for the corporation. When I subsequently asked some of the Amtrak board if they were aware of a specific plan to operate within that funding level, they stated that they were not. This, in my opinion, is a strange way to run a railroad.

My proposed restructuring of the corporation's board would reflect Amtrak's sources of funds. Since nearly two-thirds of Amtrak's funding comes from the Federal Government, I believe it is appropriate for two-thirds of Amtrak's board of directors to come from the Federal Government. Under H.R. 11089, the current Amtrak

board, at the time the revised plan is approved, would be replaced by a new board consisting of the Secretary of Transportation, Secretary of the Treasury, and one member elected annually by the corporation's common stockholders.

The bill also includes certain budgetary and accounting changes which will bring the corporation more in line with public rather than private sector operations. These include:

Making the corporation subject to the antideficiency statute, 31 U.S.C. 665; approval of the corporation's accounting system by the Comptroller General; providing for annual congressional control over all the corporate spending; and an annual review of the corporation by the Comptroller General.

In conclusion, I believe that the basic underlying principle which needs to be pursued is the development of a coordinated passenger transportation system that permits the modes to compete in a manner which gives the consumer a choice of levels and types of services but encourages maximum economy and efficiency. My bill, I believe, is a proper step in that direction.

[The following information was received for the record:]

APPENDIX

Energy Intensity, 1975 (Btu's per passenger-mile)

Intercity bus (class I)	1, 046
Total rail (both intercity and commuter)	2, 789
Intercity automobile	2, 891
Intercity rail	3, 140
Total automobile (intercity and urban combined)	4, 236
Air (domestic only)	7, 217

SOURCE: Staff study, transportation energy policy staff, U.S. Department of Transportation, September 1977.

Mr. ROONEY. Thank you very much, Congressman McFall, and I want to take this opportunity to commend you on the fine cooperation that you have given to my committee during the last 3 years that I have chaired this committee. Had it not been for you as chairman of the Appropriations Subcommittee we would not have the Amtrak facilities.

You have been most helpful to me. I want to commend you because I know that you have an Amtrak service in your district and here you are, questioning the future of it instead of just carrying the banner that says "we are going to keep Amtrak." I took a look at your bill prior to these hearings and I notice that you want to change the make-up of the Amtrak board.

Yesterday, I spoke to the ICC Chairman and he thought it was imperative for the board to have public participation. I wonder if you would consider an amendment to your bill, that would provide for public participation?

Mr. McFALL. I certainly would, Mr. Chairman. I recognize that perhaps what we have proposed is rather significant, but the proposal reflects, as I said, where the money for the operation of the Amtrak Corp. comes from—two-thirds from the Federal Government. And in starting out in considering that matter, I think that basic fact ought to be observed.

Consequently, we presented a major revamping of the structure along that line.

What I think would eventually serve the same purpose is to have a realistic recommendation, or realistic representation of the Federal Government's interest on that Board. Right now, they have one vote, and the Amtrak board does not pay any attention to the Secretary of Transportation than it does to the Man in the Moon, in my opinion.

There he makes recommendations; they do not listen to them. I think that that needs to be changed.

What kind of a board that you and members of your committee might come up with that would allow the Federal Government to have a meaningful voice in the operation of Amtrak, I would not really argue with.

I do think that the point is that we have to have some kind of a meaningful voice of the Federal taxpayer on that corporation. I agree, also, that you should have a voice from the public—and I would assume the Government members would represent the public interest.

You also should have a voice from the stockholders, although I will have to admit that the stockholders are more of a paper situation because most of the assets are being paid for by the taxpayers in this country.

Mr. ROONEY. Yesterday we heard objections to your bill, that it would require initiation of discontinuance of trains in too short of a time frame. I wonder if you would consider an amendment that would modify this 6 months to 1 year for new routes that might be suggested?

Mr. MCFALL. What we are trying to do, Mr. Chairman, in the schedule that we propose, is to allow a change in the routes without having to go through a formal and formidable schedule whereby they never would get changed. Right now, I think Amtrak has the power to make changes. They are making a study, along with the Department of Transportation, of their proper route structure. They have route and service criteria.

They could, I think, without any legislation at all, come to some other kind of a route structure. What we have proposed is not necessarily the only answer, and it could be that more time would be necessary. There might be a better way to get more of a public presence in the testimony.

But I would hope, Mr. Chairman, in whatever you provide in your bill, that you do not make it so strict and so formal that it would take so long and go through so many procedural hurdles that nothing could be done at all and we would be stuck with the same operating situation that we have now.

Mr. Harley Staggers, the chairman of the full committee, has presented a bill which has a little different procedure. It would require approval by the Congress. I would rather we would not do it that way. I would rather that the Congress would have a veto over it, because we might never get a change in the route structure, which I think is imperative at this time.

But I would leave it to the judgment of this committee to strike a proper balance among those desirable objectives.

Mr. ROONEY. Thank you very much, Mr. McFall. We appreciate your testimony.

Mr. McFALL. Thank you, Mr. Chairman.

Mr. ROONEY. The Chair recognizes the distinguished Communications Subcommittee chairman and a member of this committee to introduce our next witness.

STATEMENT OF HON. LIONEL VAN DEERLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. VAN DEERLIN. Mr. Chairman, I am embarrassed to have caused a breakdown in the committee schedule and I know that you are indulging my parochial interests. You have noticed in our some 15-years service together on the Commerce Committee that I frequently run beyond what you consider the normal bounds of enthusiasm when it comes to matters pertaining to California and I have often thought the same thing of you in regards to eastern Pennsylvania.

But I think that you will agree that, on today's happy occasion, my judgment has kept pace with my enthusiasm.

The lady on my right is the first director of a State transportation department in all 50 States of the Union. She was the author of the very forward-looking State transportation plan in California. Her background is as an economist and she is an expert in transportation matters, which brought her very easily to the attention of the new and bright young Governor of California, Jerry Brown, when he took office a little more than 2 years ago.

Of special importance to this subcommittee is the great interest and support that she has always shown in and for the importance of railways.

I can think of no one with the possible exception of the chairman of this subcommittee, of course, who is better qualified to speak to the problems and the possibilities of Amtrak. I do not have to tell you here, because I mentioned it to you privately a few days ago, that the State of California is taking a strong position in regard to Amtrak's recent move to increase its fares, a feeling that one certain way to discourage the conversion to larger-scale use of passenger railway service is to continue this constant boost in fares.

Having said this much, I shall appreciate your permitting me to desist, and I think I can get unanimous consent for that, while I present for you the committee and the staff and those interested in Amtrak, too, I gather today, the director of the State Department of Transportation from California, Adriana Gianturco.

Mr. ROONEY. Thank you very much, Mr. Van Deerlin.

You may proceed. I have heard an awful lot about you during the past week. Mr. Van Deerlin sits to my immediate left in the full committee. We take this opportunity to welcome you and your expertise to this committee.

Ms. GIANTURCO. I would like to add a little background in accompaniment to this, if I bring up here the director of our Mass Transportation Division, Mr. George Gray, to help me answer any questions that come up.

**STATEMENT OF ADRIANA GIANTURCO, DIRECTOR, CALIFORNIA
DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY GEORGE
GRAY, DIRECTOR, MASS TRANSPORTATION DIVISION**

Mr. GIANTURCO. I appreciate the opportunity to appear here today to present California's concerns regarding rail passenger service.

We in the State of California recognize the need to retain and expand rail passenger service, both regionally and nationally. We see an increasingly important role for passenger trains in California, not only because of the air pollution and energy consumption problems associated with the automobile, but also because of the simple economic fact that it is becoming too expensive to build freeways in urban areas. When you have underutilized rail lines, right next to often congested 10-lane freeways, it makes sense to use the tracks instead of condemning homes and businesses and spending up to \$40 million per mile for more freeways.

I think California, particularly the southern part of our State, is as auto-oriented as any area of the country. And yet, working in cooperation with Amtrak, we have been extremely successful with the San Diegans," our program of passenger rail services between Los Angeles and San Diego. When we began our program at Caltrans, Amtrak had three trains on the route and ridership was 390,000 annually.

In just a little over 1½ years, we have built up an annual ridership of 711,000, simply by adding trains and improving marketing. Ridership is still climbing steadily with 10,000 more passengers last month than in February 1977. We expect the San Diegans to be carrying over 1 million passengers in 1979. Besides adding trains, Caltrans and Amtrak will soon be implementing a program to improve stations, upgrade the tracks and increase train speeds by removing needless restrictions.

One question we are asked frequently, that we enjoy answering, is "How much more does it cost Amtrak to run this increased service?"

In fiscal year 1977, Amtrak had an average of 4.5 daily round trips on the Los Angeles-San Diego line which cost them less than the 3 daily round trips in fiscal year 1976. The loss on the line went down from \$4.5 million to \$4.27 million that year. Since Caltrans picked up part of the \$4.27 million, the three original trains cost Amtrak only \$3.5 million in 1977, \$1 million less than the year before. Now that the ridership has developed, more service costs less money.

To continue our success in developing the Amtrak market in California, we feel that a number of areas must be dealt with by Congress.

First, we do not want to see any more service reductions. I think there is a widespread misconception that the best way to cut back deficits is to cut service. On the basis of our experience with the San Diegans, we feel that the opposite is closer to being true. There are significant economies to be found by increasing facility utilization—getting more mileage out of the equipment and attracting more revenue-paying passengers. On the San Diegans, increased service dropped the loss per passenger-mile down from 15 cents to 8.6 cents in the space of the year.

When you cut back service, the entire cost of station personnel, terminals, and overhead, must be covered by a single train, which can never generate enough revenues to meet the costs. When Amtrak was established, the majority of lines outside the Northeast were cut down to a single daily train—as shown on the charts I have attached—the result has been counterproductive. One train loses as much money as three trains did before, because there is not enough use of facilities.

The public has invested a tremendous amount of money in establishing a nationwide system of trains and rail passenger facilities. Any transportation investment is going to look uneconomical if it does not receive sufficient use. The answer is not to cut back operations even further. Efficiency results from production—not underutilization.

Second, we believe that passengers must receive some help in paying for train operations through restoration of passenger train mail movement. Recent legislation has proposed that Amtrak fares be set so that passengers pay full operating costs of the trains. We do not think this is a reasonable proposition. In looking into the subject of rail passenger fares, we were surprised to find that in the heyday of railroading, when the San Joaquin Daylight—the line between Oakland and Los Angeles—pulled 18 cars and turned a profit, the passengers did not pay full operating costs of the train. Records of the California Public Utilities Commission show that nonpassenger revenues derived from carriage of mail and express packages were critical in keeping the system of passenger trains running. 31 per cent of the San Joaquin's revenues used to come from carriage of U.S. mail. The typical situation in the mid-1960's was for 35 per cent of revenues to be generated from nonpassenger sources.

The need for nonpassenger revenues for rail is not out of line with the rest of the transportation industry. Without package express, Greyhound would be in the red, and without U.S. mail contracts and airfreight shipments, the airlines would be in deep trouble.

The question, then, is what happened to the mail contracts the railroads used to have? The mail which used to support passenger trains now goes mostly by truck, using about four times as much petroleum and taking days longer to get to its destination. Bulk mail and mail traveling less than 500 miles are now truck cargo, but it does not have to be that way. It is barely 10 years since a postal official of the Johnson administration, an exairline company executive, took the remaining mail off trains and put it on airplanes and trucks. In doing so, he destroyed the economics of dozens of passenger trains, and hastened the need for train subsidies. Now the Federal Government often pays twice for transportation in the same corridor—once to move the mail and once to move the train.

I agree that certain cutbacks in Government-subsidized rail service are in order, but they are not, in my opinion, the ones that are being generally discussed. There are a number of daily trains the Federal Government pays a great deal for. The Federal Railway Administration has ignored them in their zero-based route study, even though they run thousands of daily train-miles, cost millions of dollars annually, and do not have a single revenue passenger riding them.

No one has talked so far about how wasteful or expensive they are, or has threatened to cut them. They seem to be something of a sacred cow because the U.S. Postal Service, rather than Amtrak, pays for them.

If these same cars of mail were put onto Amtrak trains, there could be twice-daily service on many more routes in Amtrak's system. Mail and other nonpassenger revenue are the missing pieces of the passenger train puzzle, because they could provide the requisite funding to double service on Amtrak's best-patronized single-train routes.

Two train-daily service, with mail hauled on the trains, has a much better chance—refer to chart—of covering its costs, because it offers better utilization of the facilities and generates better revenue cost ratios. It does not cost twice as much to operate as a single train.

On the west coast—from Los Angeles to Seattle, or from Chicago to New Orleans or from New York to Chicago, for example—there are massive travel markets which are inadequately served by a single daily train. A second train on each of these routes would have a good chance of covering out-of-pocket costs just on passenger revenues alone. With the addition of a few cars of mail, they definitely would. There is no particular reason the public should be supporting duplicative shipments on the private carriers. I think that Congress could improve the performance of its two business enterprises by requiring them to share their transportation expenses.

As a third point, we believe that California deserves more train service based on our expanding market. A look at passenger-miles per train-mile—the most accurate way of judging the economics of a train—gives us the surprising conclusion that the corridor which has the most passenger-miles per train-mile is not Washington-Boston, not the New York-Washington metrolines, and not the New York-Philadelphia clockers, but the Los Angeles-San Francisco Bay area segment of the Coast Starlight. The Coast Starlight, which carried 470,000 passengers in 1977, is Amtrak's most heavily utilized train. It is frankly inadequate to handle the massive travel demand as witnessed by the thousands of passengers denied space on the train this past year.

Why is it, then, that there is only a single train linking California's major cities? On any rational basis, such as travel demand, population or passenger-miles per train-mile, there should be at least three daily trains as there are in comparable corridors in Illinois, Michigan, Florida, or Washington State.

Every train which enters southern California is near the top of the passenger miles per train-mile chart. The San Diegans are the most utilized short-haul trains outside the Northeast corridor, and the Southwest, the Sunset, and the Coast Starlight are three of the top six long-distance routes in the country. Southern California has generated tremendous train ridership despite the fact that there still is not even daily train service from Los Angeles to such major travel destinations as Phoenix, Tucson, Palm Springs, Las Vegas, California's central valley, or the State Capital in Sacramento.

Having investigated the costs of extending service to some of these destinations, we do not buy the argument that costs are the

reason that service extensions have not been made. For an estimated \$400,000 annually, for example, it would be possible to extend the San Joaquin an additional 168 miles from Bakersfield to Los Angeles, thus providing a second daily train linking Los Angeles with northern California.

The State of California favors such expansion of Amtrak service. The California State Legislature has appropriated over \$6 million specifically to provide for more Amtrak service. Last September, the California Department of Transportation officially requested Amtrak to begin providing a second daily train on the coast route and to extend the San Joaquin. Why is it, then, that no more trains have begun running and California still has inadequate rail service?

I am sure many of the committee are aware of the reason, and this brings me to my fourth point. For those who are not acquainted with the California situation, there is a public utility company which owns both railroad lines linking the bay area and Los Angeles. This same public utility has spent thousands of dollars on a lobbying effort to prevent rail passenger service from being instituted over its routes.

Any attempt to restructure Amtrak routes into a system which better serves the public is doomed unless the problem of uncooperating railroads is firmly dealt with by Congress. Before Amtrak was established, the California Public Utilities Commission had clear powers to force public utilities to operate service which is in the public necessity and convenience. But, now, passenger trains are operated at the railroads' convenience. Unless Congress acts to re-establish public powers to compel the railroads—public utilities in every sense—to act in the public interest, Amtrak will continue to experience the problems of trains being purposely delayed by railroad actions; routes which, for railroad convenience, avoid major cities such as Atlanta, Dallas, and Los Angeles, and inadequate service on some of the corridors with highest travel demand.

Congress should be prepared to give Amtrak the clout to establish its restructured routes over the best tracks serving the largest number of citizens.

Finally, we are very concerned about Amtrak's marketing response to the rapid growth of rail ridership in California. We believe that Amtrak's market strategy in California is one of trying to realize maximum revenue from current ridership, rather than seeking to expand its market. Fares have increased by 30 percent over the past 18 months.

Let's look at what this means to growth of particular rail markets in California. Passengers riding all the way on the Los Angeles-San Diego line used to constitute a healthy portion of the traffic on the San Diegans—about 30 percent of passengers and 45 percent of passenger-miles. In December 1976, there were 12,292 such through passengers paying \$7.50 each. Three fare increases later, in December 1977, there were only 10,546 of them paying \$9 each, a decline in ridership of 13 percent, even though we added another daily train. Amtrak's marketing people claim victory because the yield has been increased, but we think they are doing a public disservice.

Amtrak's pricing strategy has succeeded only in reducing the most lucrative portion of the San Diegans' traffic—the through trains. The ridership gains we have made have been entirely on the intermediate markets.

Let's look at travel between Los Angeles and Oakland, and other northern California points. As I indicated earlier, a second train has been needed on the route for years. Amtrak's marketeers want to deal with the booming market for rail service, not by adding a second train or extending the San Joaquin 168 miles to help carry the load, but by pricing the service \$1, \$3, or \$5 higher than standard airfares. Amtrak marketing policy appears to have deserted the broader public and priced itself into an elite range where only certain few riders can be attracted.

If anyone proposed to raise the price of Washington-New York rail service up to the price of air service, the proposal would be rejected on the basis that it would rapidly eliminate the rail market. The fact that such actions are being carried out on California Amtrak trains indicates to us that Amtrak is not sensitive enough to the fare structures of competing modes on the west coast.

Last week, Caltrans agreed to the nationwide, 2.5-percent increase on rail passenger fares which becomes effective May 1, on the condition that special discounts on our San Diegans go into effect on the same date. These discounts will include a 20 percent discount on tickets from Monday through Friday and a special round trip fare of the one-way fare plus \$1 on Monday through Wednesday. This is an interim agreement which only covers the period from May 1 to July 1 when our contract with Amtrak expires, and it does not constitute the basis for a new contract. The effects of Amtrak's steady fare increases may require that we cease our support for the San Diegans at the termination of our existing contract.

We appreciate Amtrak's agreeing to the interim discounts on the San Diegans but we cannot continue to support these trains knowing full well that further fare increases will reduce ridership and lower income, leading ultimately to failure of this service.

In addition to the 2.5-percent increase on all rail passenger fares, Amtrak will place peak surcharges on every long-haul train in the West beginning June 15. The combined result of these increases will be to make airfare cheaper than railfare on most long-distance rail services in California. Let me give you a few examples:

The Los Angeles to San Francisco-Oakland railfare will be \$29.10. The airfare of \$28.10 will be \$1 cheaper.

The San Diego to San Francisco-Oakland railfare will be \$38.40. The airfare of \$35 will be \$3.40 cheaper.

The Los Angeles to Sacramento railfare will be \$37.30. The airfare of \$29.60 is \$7.70 cheaper.

The San Diego to Sacramento railfare will be \$46.60. The airfare of \$36 will be \$10.60 cheaper.

In contrast to the special fare surcharges that Amtrak plans to put on long-haul trains in the West, its Northwest corridor discounts are a bargain. There are four different discount fares available in the Northeast, each designed to capture a specific market. There is a

24-percent discount good on every train during the week except Friday and Sunday afternoons. There is a 33-percent discount for Tuesdays and Wednesdays. There is a 32-percent discount on 10-ride tickets good any day of the week—and these can be used by a group of 5 people traveling, or by a single traveler. Finally, there is a 46-ride commute ticket for which Amtrak gives a 52-percent to 68-percent discount. Considering the discounts for the Northeast corridor, the surcharge for western trains seems particularly unfair.

To summarize, California has successfully developed additional service on an existing Amtrak route, resulting in reduced subsidy needs. The State has appropriated over \$6 million for service extensions, and we are seeking extension of the San Joaquin to Los Angeles and provision of a second train on the coast route.

We advocate funding Amtrak at a level designed to increase public mobility by train. Additionally, we propose that additional revenues be developed by requiring the U.S. Postal Service and other governmental agencies to use the services of Amtrak in moving bulk mail and short-haul mail.

We maintain that single-train daily service is by nature less cost-effective than more frequent service, and propose that revenues from mail carriage be utilized to increase frequency on Amtrak's most heavily utilized single-train routes.

Finally, we adamantly oppose Amtrak's steady fare increases and summer surcharges on the western rail routes as being counterproductive to marketing rail ridership and as constituting a major threat to a carefully nurtured Federal-State partnership in the surface transportation area.

Thank you.

Mr. ROONEY. Thank you very much for that very fine statement.

On page 8 of your testimony, you stated that the Congress should be prepared to give Amtrak the clout to reestablish its restructured route as the best track serving the largest number of citizens and you give examples of Atlanta, Dallas, and Los Angeles.

I might say, for the record, that Amtrak already has that authority. If they wish to do so, they may.

Ms. GIANTURCO. Maybe we need some stronger legislation to encourage them to use the authority that they already have.

Mr. ROONEY. I can recall last year when Mr. Van Deerlin was concerned about the San Diego-Los Angeles service. They needed an additional train there. I believe he brought a Mr. Doug Ring and introduced him to the committee and Mr. Ring told us about the problem.

I wonder if you would tell us whether or not this problem has been solved and the additional train that you discussed on pages 2 and 3 of your statement is the result of an agreement that was reached between Mr. Ring and Amtrak?

Ms. GIANTURCO. We have. Altogether, we are running three trains. There are six trains, we are running three of them. One of them is the train that Mr. Ring had so much problem with. We cooperated with him and finally reached an agreement with Amtrak so that there is a three-party agreement, plus the railroad is involved. But that has been added as one of the trains.

Mr. ROONEY. In your statement, you consistently referred to Amtrak's raising its rates—its fares. I wonder whether or not you are aware that for every passenger traveling every mile of the Amtrak system, 14 cents of that has been paid for by the taxpayers of this country?

Ms. GIANTURCO. I am aware of that, sir, as a subsidy, but I think that the issue that it does not deal with are the subsidies that go into various modes of transportation. It is a very obvious and direct subsidy with Amtrak but there are also subsidies going into truck transport, air transport, and automobile transport.

Mr. ROONEY. What is the fare between Los Angeles and San Diego on an Amtrak train?

Ms. GIANTURCO. \$9. It will go to \$9.25 with the fare increase.

Mr. ROONEY. Yesterday the GAO testified before this committee that the fare necessary for Amtrak to even break even on that San Diego-Los Angeles run is \$14.45.

Ms. GIANTURCO. Well, I think that gets to our major point, which is the way to make the trains break even is to increase the ridership. What we are dealing with is the number of riders times fare. There are two ways of approaching the problem—keep the riders the same and have them pay more, or try to get a larger number of riders paying the same or reduced fare, which could have the same yield effect. That has been our experience to date, that the subsidy has, in fact, gone down on those trains because the ridership has increased.

Mr. ROONEY. On page 10 of your testimony, you state that airfare between certain California cities will be less than the Amtrak fares. I am sure you are aware, of course, that Amtrak fares are considerably less than the cost that I just mentioned.

How can we justify lower fares based on a Federal subsidy to compete with an unsubsidized airline?

Ms. GIANTURCO. There are a lot of people who would say that, in fact, airfares themselves are subsidized and that a lot of the costs associated with air transport are borne by the taxpayer, such as the control towers.

Mr. ROONEY. Basically they are not subsidized, the airlines are not subsidized one nickel.

Ms. GIANTURCO. Not directly, indirectly. Again, there is a subsidy going into the air industry as there is into other modes of transportation.

With regard to airfares, our major point there is that there should be some kind of look given to the different kind of markets that exist in this country. We have very low air fares in California because of the particular situation with the State regulation of the airlines which may change if the Regulatory Reform Act passes.

Our problem with Amtrak's approach is that it seems to be sort of a meat cleaver, treating the whole country as though other modes of transportation operate in the same way. That is not the case.

Mr. ROONEY. Thank you very much. You have certainly been a very fine witness and have contributed much to this hearing today. I certainly agree with the introduction by Mr. Van Deerlin.

Thank you so much.

Our next witness is our very distinguished colleague from Tennessee, Congressman Albert Gore, Jr.

STATEMENT OF HON. ALBERT GORE, JR., A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. GORE. Thank you, Mr. Chairman. I appreciate the opportunity to testify here today.

Mr. ROONEY. This seems like a daily occasion with you on this committee. I know of your great interest in Amtrak and how it serves your district. We welcome you here again today.

Mr. GORE. I will try not to be back here tomorrow.

Mr. ROONEY. Tomorrow we have no hearings.

Mr. GORE. I am here today, Mr. Chairman, not to talk about the revitalization of the railbeds but to speak in strong support of Mr. Staggers' approach to retaining and revitalizing the Amtrak system. To deny rail passenger service its proper commitment from Congress would result in a sure destruction of the system . . . suicide by budget.

Mr. Chairman, one of the points made by the last witness, I think, deserves underscoring. This is true not only of intercity rail transportation, but all forms of transportation.

When I was a newspaper reporter, I did a lengthy study of mass transit systems throughout the country and those that were successful kept their fares at a level where they could increase ridership. As their ridership increased, the subsidy decreased.

At any rate, to deny rail passenger service its proper commitment from Congress would result in a sure destruction of the system.

In the coming months, intercity rail passenger service will come under the toughest scrutiny it has ever faced. This committee, the administration, public interest groups, and many others will be trying to determine the need and influence the future of rail passenger service in this country.

It is our job to insure that public-supported services operate on a cost-effective basis and that waste and inefficiency be avoided and removed. But we also have another mandate, just as important, although more complex. We must not only attempt to balance our financial records, but must also try to anticipate the needs of this country in years to come.

In the case of intercity rail passenger service and our role in its support, I am referring to the growing energy shortage. Over 50 percent of our liquid fuel consumption is required for transportation needs. In volume and cost, the amount grows daily, creating a continuing drain on our domestic resources and increasing demand for oil imports.

These facts have been discussed for several years, culminating in the recent development of energy legislation. But we all know now that it is a problem that will be with us for the rest of our lives. Fuel conservation will be a familiar phase for many years to come.

Rail passenger service can and should play a vital role in that conservation effort.

As a member of the Energy Subcommittee, I asked the Department Head in the Department of Energy in charge of conservation about this very subject. He said that rail passenger service should play a very important and vital role in our energy conservation effort.

Competent research has proven that rail passenger trains, when operating near capacity, have the highest energy productivities for passenger traffic, nearly twice that of buses.

The MITRE Corp., in analyzing fuel efficiency of various ground transportation modes, stated to the Department of Transportation that—

Nothing surpasses a steel wheel on a steel rail.

Train roadbed is generally much more level, that is, the gradient is more favorable, than the highways upon which buses operate. This saves fuel.

Trains have much better aerodynamic, fineness ratio, that is, they slip through the air more efficiently than blunt-nosed buses.

These comments are in no way meant to criticize the intercity bus service of this country. Indeed, in my district and many other rural areas of the country, they provide a much-needed service to our citizens. Rather, the comparisons I note are simply illustrations to cite the broad potential of rail passenger trains to meet the present and future energy shortages faced by travelers in this country.

The older locomotives in use by Amtrak offer considerable fuel efficiency, but the newer, 3,000-horsepower turbocharged locomotives give a 20-percent improvement over past performance.

To equip Amtrak with these newer, more efficient locomotives, the system must have access to more operating capital. Each year that passes without a commitment for new equipment, with older locomotives still in the system, we simply create a greater, far costlier problem.

When the Amtrak experiment began in 1971, Congress intended that the system be fully self-supporting. As with many experiments, that element of the plan was unrealistic. Although it is a proper technical action, to simply now state that Amtrak should be considered a nonprofit enterprise only removes the label.

The cause—skyrocketing equipment and labor costs—will continue to place a burden upon the Amtrak budget. This is a burden that Congress must face and resolve. I believe our choices are basically two: Accept the commitment required to support a truly national rail passenger system, one which will attract increased ridership through better equipment and frequency; and two, abandon the national system for a few high-traffic corridors.

The latter approach, while debatable from a budget perspective, is unacceptable to me and many others in Congress who believe rail passenger service is a vital part of our national transportation network.

Moreover, any system, no matter how confined, will continue to incur rising costs. A fragmented rail system would simply result in additional support for a service used by only a small geographic section of the country.

A full commitment to rail passenger service will reach not only a broader geographic market, but a constituency including two very important groups—the elderly and handicapped citizens throughout the country.

Since our efforts to restore supplemental funding for Amtrak last November, I have received hundreds of letters from senior citizens

across the country, thanking Congress for recognizing that rail service is an important resource for older Americans. Thousands of these elderly travelers faced the loss of the only train service through their States. Many thousands will lose this service if we do not take necessary steps to support a full national system.

For our handicapped Americans, Amtrak has made a special effort to make train travel accessible, safe, and comfortable. The corporation offers a clear, informative guide to handicapped individuals and groups and has worked closely with organizations and travel clubs to meet the needs of an increasing mobile part of our society.

Lynn Park, a staff member of the President's Committee on Employment of the Handicapped, is confined to a wheelchair. Last year, she tested Amtrak's service for handicapped persons.

"* * * trains are becoming an ideal way for handicapped people to travel," an Amtrak official told her. Lynn felt that traveling by train was much more convenient than traveling by airplane. "Trains go to the center of the city; planes do not. Airlines ask people in wheelchairs to come in earlier than other passengers; train officials do not. But, most important, in most places wheelchair passengers can enter trains by themselves."¹

In making public facilities accessible to all persons, Amtrak has not only addressed the letter of the law, but the spirit of Congress' intent to better serve handicapped Americans.

I am disturbed that, just as Amtrak is entering an era of increased service to the elderly, the handicapped, and many others for whom rail service is more desirable we might dismantle the system.

The coming debate over increased support for Amtrak will be spirited, and the stakes will be high. In considering the many questions surrounding the operation of a national rail passenger system, there will be no shortage of Amtrak advocates or detractors.

Finally, the result of the hearings and debates will focus on the question of money. I believe the issue to be so important that to set an arbitrary budget figure far under the actual needs of Amtrak would undermine our responsibility to address the long-range needs of this country.

Thank you.

Mr. ROONEY. Thank you very much, Mr. Gore, for that very fine statement. The committee will recess now for this vote for 15 minutes.
[Brief recess.]

Mr. ROONEY. Without objection, the Chair wishes to place in the record, as though read, the statement of Congressman Ron Marlenee of Montana.

STATEMENT OF HON. RON MARLENEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. Chairman, I appreciate this opportunity to submit testimony regarding H.R. 11493, Amtrak fiscal year 1979 authorization, and I urge you to adopt the bill's provisions for a systemwide review, nationwide public hearings and affirmative congressional action on the final route structure plan for Amtrak.

¹"All Aboard," article by Juanita Campbell, *Performance*, p. 9-1, vol. XXVII, No. 10, April 1977 (the President's Committee on Employment of the Handicapped).

Public participation is essential in the development of Amtrak's routes. The future viability of railroad passenger service depends on service that will be used. The rail passenger business got into trouble in the first place because when ridership started to fall, instead of trying to improve service to attract more riders, the railroads started to curtail service and discouraged people from riding even more. At that time Congress made the decision that we must maintain rail passenger service and, if necessary, subsidize it. I think this was a wise decision, and I have been an active advocate of continued Amtrak funding.

I support the approach taken in H.R. 11493 which provides for \$550 million for nationwide operation and \$341 million in capital grants. The alternative funding suggested in H.R. 11089 of only \$460 million for operations and \$100 million for capital grants can only lead to a drastic decline in rail service.

The guidelines which the bill, H.R. 11493, sets forth for preparation of the Department of Transportation study I think are particularly important if we are to make rail passenger service a vital part of our overall public transportation system.

Social and environmental factors, such as the adequacy of other transportation modes and the needs of areas without adequate alternative forms of transportation, need to be taken into account. Presently, the people who live and work along the Empire Builder and North Coast Hiawatha routes have only little or no alternative means of public service transportation.

Newspapers reported during last winter's storms on the East Coast that Amtrak was the only form of public transportation to continue to serve Boston when buses and planes were forced to halt service. Although not noted in the papers here, Amtrak also performed vital services for Montana and North Dakota during our February blizzard. Amtrak was the only transportation service available to deliver perishable goods to the small town of Beach on the North Dakota-Montana border.

Amtrak also serves the business communities in Montana by providing daily service in bringing in machinery parts, auto parts, drugs, flowers, and other supplies on an overnight basis from the Chicago and Seattle areas.

Another guideline directs the consideration of the role that passenger rail service can play in helping meet the Nation's transportation needs while furthering the national energy conservation efforts. I believe the energy efficiency of rail transportation needs to be a major factor in the planning process. The northern tier States are already facing shortages in the availability of crude oil for gasoline and other fuels.

An adequate capital budget for Amtrak is needed, as well as operating funds. Many first time riders will not be easily attracted back for future travel if the cars are too hot or too cold, or service is delayed because of equipment failures. On some routes Amtrak now is unable to run enough passenger cars to meet the demand which is causing a needless loss of revenue.

Thank you for your consideration. Your favorable action on H.R. 11493 and rejection of the alternative approach in H.R. 11089 will

give Amtrak the means to provide a viable rail passenger network for the future.

Mr. ROONEY. Our next witness will be Mr. James R. Snyder, chairman, legislative committee, Railway Labor Executives' Association, who will be accompanied by Mr. William G. Mahoney, attorney.

You may proceed, Mr. Snyder.

STATEMENT OF JAMES R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE, RAILWAY LABOR EXECUTIVES' ASSOCIATION, ACCOMPANIED BY WILLIAM G. MAHONEY, ATTORNEY

Mr. SNYDER. Thank you, Mr. Chairman. It is a pleasure to be here this afternoon again before your committee and your staff here.

On behalf of the Railway Labor Executives' Association, its members and the employees of the Nation's railroads whom they represent, I would like to express our appreciation for the opportunity to present to you their views on a subject which we believe to be most vital to a balanced transportation system for this country, new and in the future.

My name is J. R. Snyder. I am chairman of the legislative committee of the Railway Labor Executives' Association and the national legislative director of the United Transportation Union. My office is located in the Railway Labor Building at 400 First Street NW, Washington, D.C. Accompanying me is Mr. William G. Mahoney, counsel to the Railway Labor Executives' Association.

The Railway Labor Executives' Association is an unincorporated association with which are affiliated the chief executive officers of all of the standard national and international railway labor unions in the United States. The organizations whose chief executive officers are members of the RLEA are listed below:

- American Railway Supervisors Association.
- American Train Dispatchers Association.
- Brotherhood of Locomotive Engineers.
- Brotherhood of Maintenance of Way Employees.
- Brotherhood of Railroad Signalmen.
- Brotherhood Railway Carmen of the United States and Canada.
- Brotherhood of Railway, Airline and Steamship Clerks.
- Brotherhood of Sleeping Car Porters.
- Hotel & Restaurant Employees & Bartenders Int'l. Union.
- International Association of Machinists & Aerospace Workers.
- International Brotherhood of Boliermakers & Blacksmiths.
- International Brotherhood of Electrical Workers.
- International Brotherhood of Firemen & Oilers.
- International Organization of Masters, Mates & Pilots of America.
- National Marine Engineers' Beneficial Association.
- Railroad Yardmasters of America.
- Railway Employees' Department, AFL-CIO.
- Sheet Metal Workers' International Association.
- Seafarers International Union of North America.
- Transport Workers Union of America.
- United Transportation Union:

When Congress created Amtrak, it was fully aware that only a massive Federal financial effort could preserve this vital mode of transportation. It was obvious to all that this new creature of Congress had to revivify the corpse of railroad passenger service in this

country. All who participated in the consideration of the Rail Passenger Service Act of 1970 knew that the resurrection of rail passenger service could not be accomplished in a day or in a decade. The equipment made available to Amtrak was virtually worthless; the right-of-way, for the most part, was totally inadequate.

A great deal of time and adequate financial aid are essential to Amtrak's ultimate success.

Amtrak has proved successful. The traveling public of this Nation has demonstrated beyond any question that it enthusiastically supports the rail service Amtrak offers, despite its obvious deficiencies such as abysmal on-time performances in some cases brought on by inadequate track and equipment facilities. Intercity rail ridership has increased an astonishing 54 percent since Amtrak began operation in 1971. No one expected so great and consistent an increase in ridership when the Rail Passenger Service Act of 1970 was enacted. Indeed, it has exceeded everyone's fondest hopes in this regard.

It is most significant that Amtrak was required to reverse a 20-year downward trend in rail passenger ridership. Indeed, it had to reverse the traveling habits of a significant segment of the public. It had accomplished that result. In doing so, it has performed well, cutting service costs and acquiring and expanding its maintenance facilities thereby enabling it to produce an even higher quality of service which in turn should attract more riders. In short, the Amtrak experiment is succeeding—Amtrak is succeeding. It must be aided and encouraged in all its efforts to carry out the declared purpose and findings of Congress when the Rail Passenger Service Act of 1970 was enacted.

H.R. 11493 performs at least two distinct functions. In addition to the authorization of funds for continued operation of Amtrak through the fiscal year ending September 30, 1979, H.R. 11493 would direct the Secretary of Transportation in cooperation with Amtrak to conduct a study with the objective of developing a preliminary recommendation for a route system for Amtrak which would provide:

An optimal intercity railroad passenger system, based upon current and future market and population requirements, including where appropriate, portions of the corporation's basic system.

It is our conviction that Amtrak cannot succeed unless adequate funds are provided, both for operating and capital purposes. If Amtrak is provided less than 60 percent of the capital funding it needs, as we understand is allocated by the Department of Transportation, then, obviously, its entire future must be reassessed. One can reasonably assume that under such a reduced capital funding program, operating subsidies would have to be increased to compensate for revenues lost from failure of expansion and improved service.

Adequate capital funding is essential to the continued existence of Amtrak. The Department of Transportation recommended about \$111 million in capital funding programs for fiscal 1979. That funding would result in wholly inadequate motive power, rolling stock, and maintenance of way requirements. In short, it would be \$111 million literally thrown away. Amtrak should be adequately funded or it should be abandoned.

The RLEA supports the full capital funding necessary to implement Amtrak's ability to develop an operationally viable rail passenger system.

A most important source of revenue for Amtrak has been sorely neglected. Development of Amtrak's full potential for the transportation of mail would mean an income of \$50 million a year; the salvation of numerous needed, but economically marginal passenger trains and an improved postal service to our citizens.

For decades, the passenger trains of this country carried the mail, but from a financial viewpoint, the mail carried the passenger trains. It was publicly admitted by the post office department that in the 1950's and 1960's when the railroads wished to discontinue passenger trains, the post office would remove the mail to make that train a losing proposition. The practice should now be reversed to make the passenger trains paying propositions.

A second function of H.R. 11493 is the redesignation of the Amtrak system throughout the United States. The Secretary of Transportation is directed to develop a preliminary recommendation for such a redesignated system on the basis of certain listed criteria.

Following submission of the Secretary's preliminary recommendations, the Rail Services Planning Office is directed to conduct hearings on them, after which the Secretary is to issue the final recommendations which would include a recommended route structure for Amtrak by end points and principal intermediate points to be served.

Thereafter, the recommended route structure is to be submitted to both Houses of Congress and will take effect unless one House of Congress vetoes these recommendations within 60 days. In the event of a veto, the Secretary shall then submit a revised recommendation of a basic system which meets the objections of the Congress. The bill is silent as to what would occur if Congress rejected—if indeed it could reject—the revised final recommendations.

The RLEA is not opposed to or particularly concerned about an objective study which would have as its recommendation of a basic Amtrak system for this country. We are concerned, however, with the proposed study because the very Department which would conduct this study only a few months ago was testifying before the Congress that Amtrak—at least beyond the Northeast corridor—could be abandoned because there exists "fine intercity bus systems and air transportation systems" which "could easily absorb" those passengers driven from the rails by abandonment of Amtrak routes.

Under H.R. 11493, the same Department manned by many of the same people who prepared that testimony for Secretary Adams' predecessor to present to the Congress, is now asked to conduct a study and to consider first among the listed criteria: "(6) the adequacy of other transportation modes serving the same points to be served by the recommended route system."

Quite frankly, Mr. Chairman, we fear that the issue may have been prejudged and the conclusion already reached to recommend abandonment of Amtrak on the primary ground that other forms of transportation are available and adequate to carry the passengers who would be driven from the rails by abandonment of passenger trains. We respectfully suggest that if this committee does not intend the issue to be prejudged that it remove as a criterion the "ade-

quacy" consideration set forth above and in H.R. 11493 or that it state very clearly in its report on this bill that the "adequacy" issue is not a prime criterion to be considered. Unless this is done, our experience compels us to conclude that the "adequacy" consideration contained in the bill, which I just quoted, will be used to destroy the Amtrak system by those within the Department who remain of the same opinion they were 2 years ago.

Amtrak now carries about 20 million passengers a year. Its trains average well over 200 passenger-miles per train miles on 6 different routes, which average over 702 miles in trip length. Nine other routes average between 160 and 197 passenger-miles per train-mile and, when the two short routes of Washington-Martinsburg and Los Angeles-San Diego are excluded average 549 miles in trip length.

Consideration of the existing and future energy crisis facing this country compels the conclusion that a rail passenger network capable of attracting ridership in the future, as it has in the past, is essential to this Nation's welfare. Today we have 20 million people riding Amtrak annually. By 1982, it is estimated that over 26 million people will be riding Amtrak each year. In terms of energy conservation; savings in lives otherwise lost in highway fatalities; dependability of transport in times of weather disasters, such as these last two winters; reduction of highway congestion; and simple public preference, Amtrak is the necessary answer. Public preference for rail travel plays a great part in the need for and success of Amtrak. For example, despite a miserable on-time performance of only 13 percent, the 592-mile trip between Chicago and New York City via Pittsburgh averages 302 passengers per train-mile, one of the highest, if not the highest, passenger train-mile ratio on the system.

There is an additional provision of H.R. 11493 upon which I would like to comment. Section 8 of the bill apparently would remove Amtrak from the jurisdiction of State and local laws with respect to repair of overhead highway bridges. I suppose the effect of such a provision would be to place the responsibility for such repairs upon the States or local communities with the funding to be provided from Federal highway funds. We believe that Congress should make quite sure that funding to continue repair of such bridges is not interrupted by enactment of a provision such as section 8, without current erection of a similar provision in another appropriate law providing adequate funding from another source.

Amtrak, I understand, has submitted a "5-year Corporate Plan" which sets forth a detailed study of what the future appears to be for Amtrak. It is an expensive future as we have always known it would be, but it is encouraging and it indicates the basic need which this Nation has for the continuation of an operationally viable rail passenger system.

Adequate, safe, efficient rail passenger transportation is essential to our future well-being in the areas of energy, economy and ecology. The RLEA, of course, supports Amtrak because we represent its employees. But we also support it because we are convinced that rail passenger service is more necessary today than ever before since the train is the mode of transportation most efficient in use of energy and the mode which is least offensive to our environment.

It seems to us, therefore, that in dealing with Amtrak the Congress must adopt a positive approach with a view toward the full utilization and development of rail passenger service wherever the evidence indicates the future would justify it. Certainly, common sense compels it to be done as long as the Amtrak experiment continues to succeed. We know that such an approach will be expensive. Congress knew that when it enacted the Rail Passenger Service Act of 1970. We respectfully submit, however, that the expense to this Nation will be almost insignificant in comparison to the many vast program expenditures, which to us at least, do not appear to be nearly so important to our Nation's welfare as would be an operationally viable national rail passenger network.

Again, I wish to express to you our appreciation for the opportunity to present our views to you today on this important subject. Thank you.

Mr. ROONEY. Thank you, Mr. Snyder. I agree with everything you say, adequate, safe, sufficient rail passenger transportation is essential to our future well-being in the areas of energy, economy and ecology. How can we justify spending over half a billion dollars year after year after year and have less than 1 percent of the American people use this facility for transportation? How long can we do it?

Mr. SNYDER. Mr. Chairman, being an old-fashioned conductor who operated the three-phase passenger train and all through the sixties and fifties here when the railways were going out of the passenger train business and Amtrak came along as a result of congressional action to set up Amtrak, at that time, Amtrak started from completely the bottom. It required a long range of expenditures and equipment. Everything had to be—stations, new equipment, power, roadbeds and, in a lot of cases here, so it takes time to do these types of things.

My personal opinion is certainly there is a need in this country for passenger trains. With the new equipment coming onboard, and hopefully we will have some better roadbeds in the future that this passenger is certainly going to increase, particularly with the energy problem the way it is. It will be, I think, less costly in the long run after we get over a few of these hurdles.

Mr. ROONEY. To paraphrase President Kennedy's inaugural address, "Ask not what Amtrak can do for you, but what can you do for Amtrak."

I would like to know—in today's parlance, "How can railway labor help Amtrak cut its costs of operations and improve its service?"

Mr. SNYDER. We are already working in that direction. We have been in contact with the other committees. I think one of the major things that has been brought out here by the lady from California is putting mail back on these passenger trains. There is negotiation going on right now, if you are referring to the contracts, that apply to the personnel that operate the Amtrak. There are negotiations going on now by very competent people in accordance with the Railway Labor Act.

I am sure where concessions need to be made, they will be made and they will be appropriate. I think the mail issue would be a

great relief and can take care of a lot of Amtrak's financial problems. It is my personal experience, and Mr. Mahoney's too, we represented our membership in numerous hearings where often train cases were involved in, mail was the major source of revenue. In fact, over the years there, they kept many of the passenger trains on the mail.

Mr. ROONEY. I am informed that if Amtrak would get all of the mail service that the Post Office could possibly give out, it would only amount to less than 8 percent of their total deficit.

Mr. SNYDER. We do not have those figures yet, Mr. Chairman. The Post Office and Civil Service Committee has worked on that with us and have asked for some figures on this.

Mr. ROONEY. Mr. Mahoney, do you disagree with that figure?

Mr. MAHONEY. I do not disagree, but it may be misleading because 8 percent of the total deficit of Amtrak, if we could eliminate that, that would go a long way towards further justifying its existence. Anything that would help at this stage of the game is worthy of very considerable thought and affirmative thought.

Whether 8 percent of that deficit is to be considered valid or not, I do not know, but certainly Amtrak should be given every opportunity to come up from nothing, as were the airlines. Every airline in the United States was a heavily subsidized airline by mail before they finally got on their feet and cut themselves out from under the subsidies.

I am not saying that Amtrak would ever be able to do what American airlines has done, but certainly it may well be able to come where it might break even, if passengers were encouraged to go by rail.

Mr. ROONEY. On page 3 of your prepared testimony, you state that inner-city rail ridership has increased 54 percent since Amtrak started its operations in 1971. How do you define ridership and what figures did you use to compute that percent?

Mr. SNYDER. Our research director in our office says a 54-percent growth in figures based on the ridership of 19.2 million passengers reported for fiscal year 1977 in Amtrak's annual report, compared to an estimate of 12.5 million passengers in 1971. The 1971 figure is factored to a full year from 9.9 million passengers reported as had been carried in the first few months of 1971 from Amtrak's inception. Several assumptions were made to arrive at the 12.5 million figure.

First, counting passengers at that time was done for Amtrak by the railroads and the initial results left something to be desired.

For example, a passenger riding from New York to Florida might be counted by each railroad operating the Amtrak train over that route.

Second, historic peaks and valleys in ridership throughout the year must be considered. A lot of them are seasonal. I feel with our assumption that 54 percent is a value measure over April 1971.

Mr. ROONEY. I wonder if your figures include nonrevenue passengers, or so-called pass riders.

Mr. SNYDER. Mr. Chairman, these are figures that were reported to the Interstate Commerce Commission—paying passengers, not what

we refer to nonpaying passenger or deadheads in the railway industry.

Mr. ROONEY. On page 3 of your statement and throughout the rest of your testimony you repeatedly state that Amtrak has proved successful. Later on, you said that Amtrak has reversed the traveling habits of a significant segment of the public.

I quote you: "It has performed well in cutting service costs."

This subcommittee, as you know, Mr. Snyder, has repeatedly heard testimony to the effect that Amtrak has not proved successful, it has not reversed travel habits, and it is not cutting service costs. Based on this evidence, can you indicate for the committee what you have to support your facts?

Mr. SNYDER. I will let Mr. Mahoney answer that question.

Mr. MAHONEY. Mr. Chairman, the term "successful," I think, is a relative term. We were using it here in a relative sense.

Amtrak, when it started, was expected to operate a dead animal and it was dead, and it had been dying for at least 15 years. Since 1958, there was a concerted effort just to get rid of passenger trains and a beautiful job had been done to do it.

If you look at the statistics from 1955 on, you will see that they just plummeted in terms of passengers riding railroads.

Amtrak took it over. Amtrak stopped the decline, even though half the trains in the United States stopped the day that Amtrak started. They stopped that decline and reversed that trend, and I think that is a successful operation when you can do that. Surely, it is not as successful as we can be or want to be, but I think in those terms it is successful and far beyond what anyone expected at the time. Many people this will go down in a year and the whole thing will be dead, and they were wrong.

Mr. ROONEY. On page 9 of your testimony—and I would direct this question to either you or Mr. Mahoney—you, like so many witnesses before this committee, state that rail passenger service is necessary because it is most efficient in the use of energy. We have had several witnesses before this committee testifying that this was not the fact. Only yesterday, for example, representatives of the General Accounting Office appeared before this committee and testified to the effect that Amtrak trains are only a little more energy efficient than automobiles and only one-quarter more energy efficient than buses.

In view of the testimony that we have heard for the past several days, I wonder what your comments are on this. I will direct that to either of you.

Mr. SNYDER. We have looked at several studies that looked at motor carrier, bus, rail, and airlines. In all three studies that we have seen, there is no question that rail can operate much more efficient, less fuel. In some cases, where the ridership is light on a passenger train, this might not be true. I am talking about the whole picture here.

For example, the Northeast corridor here is a good example. How many buses could travel that traffic on the metroliners today? It would require a lot more fuel than the present trains that are ab-

sorbing to transport that many passengers up the Northeast corridor, even on the long hauls.

What we are saying here, without question—and I think all the ARR figures have proved this—when it comes to freight, although we are not discussing freight, but we are discussing passengers, but there is no doubt, only with the exception that we have a real low ridership and the mode of power is necessary to haul a particular train where you do not have ridership, that there might be some question about that.

To increase the ridership would offset that, the volume of people.

Mr. MAHONEY. I would only add, Mr. Chairman, that the whole point of Amtrak is to get people on railroad trains. When you get people on railroad trains, the train is much more energy efficient. Of course, if you are only going to have two people riding the train, obviously it is not as energy efficient as an automobile carrying two people, but the whole purpose of the Amtrak idea is to get people on the rails.

Mr. ROONEY. You cannot get them on the rails. That is the problem.

Mr. MAHONEY. You get more every year, maybe not as many more as we would like. We have had a terrible time, as you know, both in getting the proper equipment and getting the system set up properly and the right-of-way is just abominable in many places. All of this augers ill for any sort of increase.

Mr. ROONEY. There is no individual in this country who is more concerned about the railroads and saving the passenger railroad service than the present chairman of this committee. When I was in the Pennsylvania Senate in 1959, I fought the Lehigh Valley Railroad to keep the passenger service. Unfortunately, after 2 years of fighting with the PUC and the ICC, their discontinuance was finally granted.

Today we do not have passenger service between my congressional district and New York. I think that if we did have it we could have a viable system, but you cannot have a viable system in 27,000 miles of track in this country. It is just impossible.

I think what this committee has got to do, I think what rail labor has got to do, and I think what Amtrak has got to do, is take a very hard look at the Secretary's report that is supposed to be coming in with the recommendations by May 1. I think the eventual future of Amtrak as far as the Congress is concerned is very difficult. You heard the chairman of the Subcommittee on Appropriations testify here this afternoon. This Congress cannot, year after year after year, appropriate these millions of dollars, and today it is probably up to somewhere in the neighborhood of \$3.2 billion or \$3.3 billion.

I just hope that after this report comes in from DOT that we can all sit down and see whether or not we can save the viable corridors in this country and perhaps do away with the unprofitable areas in which no riders are taking advantage of the facility.

Mr. MAHONEY. I would only add: Riders, hopefully, who would be generated in the future.

Mr. ROONEY. Thank you, Mr. Snyder and Mr. Mahoney, for appearing before us this afternoon.

Our next witness will be my colleague, the Honorable Richard A. Gephardt.

**STATEMENT OF HON. RICHARD A. GEPHARDT, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MISSOURI**

MR. GEPHARDT. Thank you very much, Mr. Chairman. I apologize to you for not being here when I was supposed to be. We had a pretty disjointed day, as you know, and I had difficulty getting to where I was supposed to be on time, but I deeply appreciate the opportunity to be here.

I am going to offer my written testimony into the record. I hope you will receive it, and I would like to synopsize my statement.

I listened to the last colloquy between you and the last witness and I want to state that I firmly agree with your assessment that we have got to decide what we want our rail system to be in this country. I firmly, personally, believe that people will buy passenger train service when they have to and not before then, and I think we have to deal with what we have today, even though in the future, the price of gasoline may dictate that a lot of people may want to ride trains that may not today.

What we, in Congress, have to do is to develop a plan as to today's needs and today's circumstances, and I am sure you are trying to do that in this subcommittee.

I simply wanted to bring to your attention the facts that surround the controversy that has gone on in my congressional district about the rail station facility in St. Louis, Mo. I am not going to orally go into that full-fact circumstance. I am sure you will do that in writing.

I will classify the situation as a horror story of mismanagement by Amtrak. I guess the point of my testimony, without going into all the details, is that part of the failure of management occurs because I do not think Amtrak management for a lot of circumstances has had a clear idea of where it is going.

Let me just hit the highlights of the facts to make my point.

A few years ago Amtrak decided they had to get out of Union Station, which is a historical landmark in St. Louis, I certainly agree with that, because it was falling down around them. In order to maintain what passenger service we had there, they had to move out. But because of a real misunderstanding of where they were going in the future, they decided to build a butler building for a station in a wheatfield surrounded by truck terminals that nobody in St. Louis or the Midwest could ever have found.

Because of the outcry of the citizenry in St. Louis and the entire congressional delegation, they were finally persuaded to move back into the area where the original station was and, at the same cost, rehabilitate an older building that would be much more compatible with what people thought of as a place where you catch a train in St. Louis and much nearer to the center of the downtown area in St. Louis.

My testimony recounts for you the year of problems that we have encountered since that time. And now, the latest we get from Amtrak is, "Maybe we really do not want to rehab that building. Maybe we want to tear it down and build a butler building next to what is an historical landmark."

To make a long story short, I think that the suggestion in the legislation before you by Representative McFall to bring Amtrak back under some kind of direction by the Department of Transportation and the executive branch makes a lot of sense. I agree with you that we in the Government have to decide what is the shape and form that we want our rail transit to be. We have to make that decision after the study is in, and then we have to set Amtrak on a course that would achieve those goals and those ends that we set out. Then maybe situations like this horror story that I bring to you will not happen and maybe we will have a rail service that makes sense.

I think that rail transportation has a significant role today in corridors. As you say, I think it may well be that that role will be expanded greatly in the future as the price of gasoline continues to escalate. It is my intention to work with you and the subcommittee in developing that kind of a plan. I appreciate very much the opportunity to be here this afternoon.

[Mr. Gephardt's prepared statement follows:]

STATEMENT OF HON. RICHARD A. GEPHARDT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MISSOURI

Mr. Chairman, I appreciate having this opportunity to come before your Subcommittee to describe the very serious problem the people in my district, which includes much of the City of St. Louis, have had getting a new rail passenger terminal. I do so to point out one example among many of the failure in management on the part of Amtrak.

Last April the Amtrak Board of Directors, heeding the protests of almost the entire St. Louis community, reversed an earlier decision to build a new station in an obscure warehouse district and authorized management to negotiate an agreement with Union Center Venture, the development group which owns Union Station, to locate its new terminal on their property. The developer proposed rehabilitating the old Railway Express Agency building into a terminal which would be consistent with the architectural and historic significance of near-by Union Station. The only condition the Board placed on the project was that the cost be within the \$5.5 million budget already approved for the St. Louis station.

In fact, negotiations had begun before the Board meeting. On April 14 representatives of Union Center Venture and Amtrak management had met to discuss the UCV proposal and procedures for carrying it out. To save money and come in well below the budget allocation—in fact, to hold the price to slightly over \$5,100,000—the developer proposed Amtrak finance the project by purchasing the property at the time of signing a contract and then make progress payments on the basis of percentage of work completed.

Amtrak officials insisted on two things if this procedure were accepted. First, the price of the property would have to be determined by an independent appraisal accepted by both Amtrak and UCV. Second, UCV would have to provide assurance to Amtrak that it would secure a performance bond for construction of the project.

Once the Board sanctioned management's actions, work began on specific engineering questions such as track configuration, and the appraisal was ordered. It was not until three months later that these questions were settled.

In mid-July Amtrak sent UCV the appraisal—which incidentally was dated May 20—and recommended the first draft of a contract be drawn up. The UCV proposed contract provoked a major dispute over the progress payments procedure, which Amtrak protested strongly and rejected with an offer to buy the property outright and perform the work themselves. Fortunately, a breakdown in negotiations was forestalled when a meeting was scheduled here in Washington for UCV and Amtrak representatives to work out an agreement face to face. Two full days of negotiations were constructive and resulted in both UCV and Amtrak representatives initiating a draft contract, conditioned on UCV providing assurance to Amtrak that it would secure a performance bond.

Amtrak's apparent cooperation on this project disappeared three days later when the company's principal negotiator, the Director of Real Estate, wrote a follow-up letter to UCV's Counsel requiring a *completion* bond rather than a *performance* bond. Completion bonds, as I understand it, bear no face value and are essentially unheard of in the construction industry nowadays. Performance bonds, accompanied by payment bonds, on the other hand, do carry a dollar limit and insure the obligee that the contract will be executed, even in the event of default, unless cost overruns exceed the face value of the bond. Performance and payment bonds are the customary guarantee used in the construction industry.

Within a few days of this letter, Amtrak notified UCV that the specifications for the station were being revised.

In light of the considerable misunderstanding as to the type of bond Amtrak needed for protection, the corporation officials agreed to delay any action to acquire the UCV property until they saw the bonds UCV secured. On November 2, the insurance company provided assurance that performance and payment bonds would be available to Union Center Venture. The bonds insured Amtrak against any expenditures above the contract price unless the cost of the project more than doubled.

Amtrak submitted the documents from the insurance company to its counsel in St. Louis for analysis and an opinion on the degree of protection offered by the bonds. After more than seven weeks, Amtrak's counsel confirmed the protection amounted to double the contract price. Nevertheless, Amtrak management rejected the bond on the grounds that it would not protect against all eventualities, and submitted a final offer to UCV to buy the property and perform the work themselves. Two weeks later, Amtrak moved to condemn the property and filed for possession. UCV filed a counter suit alleging Amtrak has no condemnation power when it can acquire property under contract and that such a contract exists in the form of the initialed agreement of last fall. The court has decided to hear the UCV case before ruling on Amtrak's action.

In the meantime, I met with the President of Amtrak and a corporation counsel to discuss this entire situation because, above all, St. Louis wants action on a new station. At that meeting, I was truly amazed to learn that, after all this time, Amtrak is now entirely rethinking its plans for a terminal in St. Louis. Rather than rehabilitating the REA building into a sound, safe and attractive station, Amtrak is considering replacing it with a modular structure which can only be temporary in nature and will clearly detract from the architectural and historical significance of near-by Union Station and the surrounding neighborhood. This change in plans was confirmed in a subsequent letter I received from Amtrak this month.

This is a long story, but I think spelling out the different stages we have gone through trying to get a station in St. Louis reveals the failings of Amtrak management. Not only has Amtrak repeatedly thrown up roadblocks on the way toward agreement, corporation officials have reportedly maintained to outsiders they they would never carry out this project with UCV. Finally, Amtrak's failure to accept the bond posted by UCV is unreasonable. It offers substantial protection, exceeding the requirements of GSA. It would be backed up by identical bonds on all project subcontractors in addition to the further protection offered by the payments procedure and Amtrak's ability to enforce obligations imposed on UCV by the contract itself.

At best, all this demonstrates that Amtrak officials have moved slowly and hesitantly. At worst, it raises doubt that they ever intended to sign a contract with UCV. If not, an unbelievable amount of time and money has been invested in basically playing a game. After all this time and expense, for Amtrak now to drop the whole project and turn to a modular building would represent an incredible waste of the taxpayers' money.

The root cause of this type of management failing, I believe, has been well addressed by our colleagues, Representative McFall, in his proposal to increase Department of Transportation and Congressional control over Amtrak. The corporation's actions, or failure to act, in the Union Station case can largely be attributed to uncertainty as to Amtrak's role in the national transportation system. By more clearly bringing the corporation into the framework of transportation policy decisions, Amtrak will gain a stronger sense of its direction and purpose.

As our petroleum resources continue to dwindle, it will become increasingly important for this country to have a viable rail passenger system in place. Amtrak is not now equipped—financially or managerially—to accomplish that goal. It will be able to do so when its future and role in the national transportation system are clarified by more closely associating Amtrak with the transportation policy makers, as Mr. McFall has recommended.

Mr. ROONEY. Thank you very much for that very fine statement, Mr. Gephardt. We are certainly on the same track, as far as Amtrak is concerned.

Mr. Gephardt, I know you have been working with my staff with respect to your own personal problem in St. Louis, but did I not read in the New York Times just a couple of months ago about the tremendous job they did in restoring the museum in St. Louis.

Mr. GEPHARDT. The old Post Office.

Mr. ROONEY. The old Post Office?

Mr. GEPHARDT. We have an old Federal structure in the middle of downtown that was scheduled to be torn down. After a long, 10-year fight, GSA is moving forward to rehabilitate that building and make it useful again.

There is also a private effort going on in Union Station. A private developer has bought Union Station and is trying to develop it now and part of that effort would have been tremendously aided by Amtrak, using them as a contractor to redevelop the REA Building, the Railway Express Building, which is adjacent to Union Station.

Of course, Union Station is the national historical landmark. It is on the National Register; one of the most significant buildings in the Midwest. It was completely incomprehensible to St. Louisans that Amtrak would think about even constructing a new station, even if it were on the basis in a butler building in a wheatfield away from that structure.

And indeed, we finally convinced the board of Amtrak that we could rehabilitate this building compatible with what was around it and a much better location, in downtown, at the same cost.

I am suggesting to you that the upset Amtrak senses is because of the lack of direction on where they are going, a failure of perception of what kind of lines would be coming into St. Louis. Whether St. Louis is going to be connected to New York—which I personally think is a day that has gone past us—or whether there is simply going to be Chicago-St. Louis-Kansas City-St. Louis run plays into the decision.

I am not just blaming this on their failure of management, although I can cite you chapter and verse on that. I think part of their problem stems from our lack of direction in Congress and in the Government. I know that we are going to solve it.

Mr. ROONEY. I understand that Amtrak pays over \$2,000 a month for steam because of the excessive leaks. Is there not some way that it could not be restored for a bus rail and historic area?

Mr. GEPHARDT. I think that is entirely possible.

Mr. ROONEY. Have you discussed this?

Mr. GEPHARDT. I have not. I have only discussed their plan for relocating the station in the REA building. I would say that that

building, because of its floor space, holds a promise for having a multimodal station located within it.

That was one of the reasons that we wanted them to go there, because a butler building has very finite limitations, but this building could be ultimately expanded for many things. We just have not been able to get that argument heard.

Mr. ROONEY. I just directed my staff to investigate that problem in St. Louis, and you will be working closely with my staff and I hope we can work things out.

Mr. GEPHARDT. I deeply appreciate the opportunity to be here.

Mr. ROONEY. I appreciate your testimony.

Now, our next witness will be Mr. Elkins, Director, National Conference of State Railway Officials.

STATEMENT OF CLIFFORD ELKINS, DIRECTOR, NATIONAL CONFERENCE OF STATE RAILWAY OFFICIALS

Mr. ELKINS. Thank you, Mr. Chairman. I would also like to introduce the testimony of Mr. Killoran who was scheduled to be a witness. He is executive director of the West Virginia Railway Maintenance Authority as well as chairman of our passenger committee but, due to an urgent commitment in Charleston, W. Va., he had to leave to fly back to Charleston.

Mr. ROONEY. Without objection, his prepared statement will be made a part of the record [see p. 111].

Mr. ELKINS. Mr. Chairman, I think it is significant—I would like to digress—why Mr. Killoran had to leave. It goes back to an issue that came up before the committee earlier when we were talking about rail safety. That is the administrative problems with the Federal Railroad Administration in moving freight projects under Title VIII.

We are pleased to report that one of the most rapid turnarounds that we have ever had on a project just occurred and Mr. Killoran left today with a document that will bring into West Virginia \$1.7 million that will institute long-needed rehabilitation on the south branch line. We think progress is being made with FRA. In fairness, we would like to bring it out.

We would like to point out that it is in Mr. Staggers' home district. I know he is grateful for this project moving and that is why Mr. Killoran went back to get this project moving.

I would like to briefly summarize my testimony and make a couple of points, after talking to Ms. Gianturco, related to our testimony.

We think that the future of American rail passenger service is at the junction point now, basically in the hands of the committee. We see two problems before us. One is the maintenance of the status quo service until the Federal Department of Transportation's route studies and evaluations are completed and presented for evaluation.

In regards to this, we greatly favor H.R. 11493, Mr. Staggers' bill. We think that it will give us the time that is needed, but we do suggest some modifications.

One of the modifications that we suggest is taking the Amtrak budget and earmarking 3 percent of the budget for the 403(b) services where the States and Amtrak are equal partners in providing these additional services.

As Ms. Gianturco brought out, these 403(b) services are working very well in the State of California. We also have four other States that are engaged in 403(b) services.

One of the pressing problems that has occurred in this type of service is frequently Amtrak says they are unable to provide any additional 403 service because they do not have the needed equipment or facilities. Our understanding of the Rail Passenger Act is that Amtrak is only compelled to provide these services to the extent funds and facilities and equipment are available.

Mr. ROONEY. How many trains would that translate into?

Mr. ELKINS. Going 3 percent would be \$17 million, using the funding level called for. At present, the services are funded around \$10 million.

We feel that that would be a minimum. If the States did not need them, it could be written off and could be passed on.

This stretches Amtrak funding since the States have to put out 50 percent of the funding.

Mr. ROONEY. Translate that into trains.

Mr. ELKINS. The 403(b) trains would vary and could be a train between New York City and Buffalo, N.Y., which is approximately 400 miles, or a train between San Diego or Los Angeles of 110 miles. Depending on the length, I think we would be talking anywhere from 5 to 15 additional trains.

Basically, they would be corridor-type trains, relatively in short distances, on the heavy, more dense, corridors.

Our other basic concern at the present time is with the Department of Transportation's study. We are greatly concerned that the studies—we do not discount their importance. We view the future of passenger trains may be governed by what these studies find.

Our concern is that studies may be done in a vacuum. I have two letters that are attached to the testimony from the States of New York and Ohio which are letters to Secretary Adams expressing some concerns and desires and inputs into this study. To date, there has been no acknowledgment or reply to these letters.

During the course of a conversation with Mr. Sullivan's staff yesterday, we are advised that those letters are received, but our concern is that the States need to have an input, and perhaps the best way to point out the unique aspect that the States have in these studies is one consideration of transportation that has not been mentioned, when people take a train, a plane, a bus, or any mode of passenger transportation they have to get to and from the terminal to ride these transportation modes. It is the States that provide the parking facilities, transit, the highway system, this is governed by State-type programs so that the State's relevance in connection to this is an extremely significant point.

We believe that the State, in this respect, has much to add and can influence modal choices to a large degree. We are concerned

that this role and this view really has not seemed to be understood by the people accomplishing the Department of Transportation study.

One specific suggestion we have regarding the study is asking that a study review panel be implemented, a study review panel to consist of appropriate representation from Amtrak, the Department of Transportation, and the States. Indeed, they have been in the business of providing passenger transportation; they should have some expertise, appropriate representation from the Secretary of Transportation and from the States.

We would suggest that the study be delayed for 60 days until a review panel can be instituted and implemented and in suggesting a delay, we are very cognizant of the critical nature facing rail passenger transportation. We think a delay is warranted because input on the study development stage is important as opposed to a study reaction stage.

We are aware of the public review process called for in the legislation, but we are deeply concerned, having gone through the preliminary and final systems plans created by the United States Railway Association where the States found themselves reacting to a plan. Some changes were brought about but many significant points raised by the States were totally ignored.

If the States were more actively involved in an implementation stage, a lot of today's problems facing rail transportation would be much different.

Also, we have gone through the Secretary's process on the 503 report, and again, we found ourselves reacting to that study with very unsatisfactory results so we have great concerns based on our experience when we are forced with reacting to a study, instead of being involved in the study implementation and study development.

One section of the bill that we would prefer to see deleted is the part under miscellaneous. It refers to the maintenance of structures and bridges over rail crossings. We feel that this is a very complicated issue. Indeed, we are pleased with Mr. Sullivan's testimony representing that this section be deleted.

To explain the problem, we have attached a letter from the State of Rhode Island which brings out the unique nature of who owns these structures and the problems of maintenance. There is no attempt by the States to take costs that are properly those of the State and shift them to Amtrak.

By the same token, we feel that there should be no premature effort to take costs that are properly Amtrak's, or properly the railroads, and have those shifted to the States.

We prefer, as we stated, H.R. 11493 to H.R. 11089, Mr. McFall's bill. We have a great respect for the efforts that Mr. McFall has extended for passenger service and we think his testimony today emphasized a very essential word, it is time for a change, and we agree completely that it is time for a change.

Travel habits have changed, travel patterns are changing, Amtrak and rail passenger service has to reflect what today's needs are. They cannot reflect what needs were 10, 15 years ago.

Indeed, Mr. Chairman, we realize the future of rail passenger service is in the hands of the committee. The States with any expertise we have, stand ready to assist this study and make it as meaningful as possible.

Again, we thank you for the opportunity and this is also summarizing Mr. Killoran's testimony.

[Messrs. Elkins' and Killoran's prepared statements follow:]

STATEMENT OF CLIFFORD ELKINS, DIRECTOR, NATIONAL CONFERENCE
OF STATE RAILWAY OFFICIALS

Mr. Chairman, my name is Clifford Elkins and I am Director of the National Conference of State Railway Officials which is the organization representing the State agencies designated by their respective Governors to prepare State rail plans under the State Reform Act of 1976 and is the Railway Committee of the American Association of State Highway and Transportation Officials.

At the present time, all States are engaged in rail planning, except Hawaii and Alaska. These activities include both rail freight and passenger considerations.

We are deeply appreciative of the interest shown in rail passenger service of the country by you Mr. Chairman, and the Subcommittee by introducing and considering the pending legislation on the future rail passenger service in the country.

We view the present considerations by this Subcommittee to be twofold, namely: consideration and evaluation of the route examination studies being conducted by the Secretary of Transportation, and the continued operation of the Amtrak system until these studies can be fully evaluated by the States, rail users, and Congress. This study will then have to be implemented into future legislation which will allow the citizens of the United States to have rail passenger transportation assume its proper role in the transportation system of the United States.

We support the level of funding called for in H.R. 11493. We support the funding levels called for in this legislation as maintaining a status quo rail passenger service until completion of studies now being conducted by the Secretary of Transportation.

We do, however, respectfully request the Subcommittee to consider a modification in the authorization of appropriations. Specifically a minimum of 3% of the operating and capital appropriations as earmarked and reserved for joint State services with Amtrak as provided under Section 403(b) of the Rail Passenger Act whereby the States provide 50% of the funds for these services.

We believe these services are to the benefit of Amtrak, the States, and the public and should be encouraged. Under the present system all too often Amtrak tells the States they are unable to enter into any 403(b) services because they do not have the funds or equipment available. Under the present 403(b) legislation, Amtrak only has to provide such services to the extent their facilities and funds will permit.

We believe the 3% provision we are suggesting will solve this problem. I am advised by our States that Amtrak is now funding such services at \$10 million annually. This proposed modification would be approximately \$17 million and allow for needed growth in this area. In addition, such legislation should also give the States equal voice in schedules, service amenities, and fares since they are equal financial partners and should have equal say on these considerations.

Mr. Chairman, we have deep concern with the studies being conducted by the Secretary and route reexamination techniques. We respectfully wish to emphasize that that during the pendency of the reexamination no routes or services be prematurely eliminated or reduced.

One of our basic concerns with the reexamination studies by the Secretary is they have ignored any meaningful input from the States. We have had an initial meeting with the DOT study group and letters on these studies have been written to Secretary Adams on these studies but we have no idea to what, if any extent, our suggestions are being considered. We firmly believe that the States have a strong contributory role in these studies and the assistance of

the States should be at the study development stage and not merely reduced to bring a reactive role.

In addition to being financial partners with Amtrak in 403(h) services the States for many years, indeed long before the creation of Amtrak, have been concerned with providing for the transportation needs of its citizens.

We maintain that it is the States who have the first hand knowledge and closer look at their citizens' needs rather than a remote and isolated study group who in most cases have no first hand knowledge of the needs of people for whom they will make vital decisions on factors that will effect the economic viability of their communities and States.

To accomplish this essential need we suggest that this legislation be amended to establish a study review panel consisting of 3 representatives of the States, appropriate representation from Amtrak and the Secretary of Transportation.

Such a panel should be established within 10 days after the effective date of this bill and accordingly the review panel should have 60 days to make any necessary modifications prior to the study entering the public comment period called for in this legislation. We do not like to suggest anything that will cause any further delay to these studies. But we firmly believe it is so vital and important that a meaningful input be developed in these studies, a 60 day delay and creation of the study review panel is warranted.

Since our membership has not had a chance to review the pending legislation in depth, we would like to submit a letter to the Subcommittee prior to the closing of the record with some technical changes in wording which would clarify and recognize the present roles of the States 403(d) services with Amtrak.

We urge that the section stating that the "Corporation shall not be subject to any State or local law with respect to construction, maintenance, repair or rehabilitation of structures carrying public roads" be deleted.

This section raises an issue that is very complicated and difficult. In many instances, there is doubt who owns and has to maintain highway bridges over railroads. The Northeast Corridor in particular has some very complicated records and issues on this problem.

I have attached a letter from the Rhode Island Department of Transportation on this subject of these bridges. We assure the Subcommittee there is no attempt by the States to shift costs and responsibilities that are properly State responsibilities to Amtrak nor should there be any attempt to change long standing relationships that are properly Railroad/Amtrak to the States.

We, therefore, propose this section be deleted from the Bill and the problem be reserved for further study.

We believe the provisions of H.R. 11493 more nearly meets the needs of the States than does H.R. 11089, which our members believe will impair the continued development of essential rail passenger service in the United States.

In conclusion, we wish to express our concern on the impression being created by the American Bus Association, that rail passenger service can be taken by bus transportation. We would emphasize that the concerns of the States is with transportation of people and not particularly with rail or bus transportation. Our testimony is based on the need to efficiently move people. We are not anti bus and pro rail. We are for efficient, safe, and adequate transportation. However, we are seeing indications that bus service to rural areas is having its financial difficulties and may have to have the attention of Congress to solve these problems.

It is our belief that after the Department studies have been concluded, it would be the proper time to address the issues being advanced by the Bus Association and at that time we would intend to address these issues in further depth. I have also attached to my testimony letters from the States of New York, Ohio, and North Dakota expressing their particular concerns.

We again thank the Subcommittee for its continued interest and desire to solve these critical problems. The States will continue to work with you, Mr. Chairman, and the staff to do all possible to assist in solving the transportation needs of the citizens of the United States.

Attachments.

RHODE ISLAND DEPARTMENT OF TRANSPORTATION,
March 3, 1978.

Mr. CLIFF ELKINS,
Director, National Conference of State Railway Officials, Washington, D.C.

DEAR CLIFF: The Department staff has reviewed Congressman Staggers/ Rooney's H.R. 11493 now before Congress.

I am particularly disturbed with Section 9(b) which amends Section 306 of the Rail Passenger Service Act as follows:

"(1) The Corporation (Amtrak) shall not be subject to any State or local law with respect to the construction, maintenance, repair or rehabilitation of structures carrying public roads".

In Rhode Island the railroad companies constructed many highway bridges over their rights of way for their convenience during the early 1900's. Because of the financial difficulties endured by New Haven and Penn Central railroads, the replacement maintenance and repair of these structures was largely deferred.

Since the Reorganization of April 1, 1976 Amtrak has declined to maintain any of these overhead bridges. They say that they did not accept the bridges in conveyance of the rights of way and other properties. I would take strong issue with that position. There have been no changes of the deeds by USRA to exclude these structures from conveyance.

This provision would force States to maintain and/or replace these structures many of which are over 80 years old, simply on the basis of public safety. The cost to R.I. of this type of program was estimated to be about \$16 million based on an average cost of \$100,000 per structure for about 80 such structures in R.I.

Recent experience however has shown that nominal repairs can cost \$250,000 (Dexter Street, Pawtucket, R.I.) and that replacement costs can run up to \$600,000 (Charles St., Providence) and even higher (\$800,000 estimated cost Smith St., Providence).

This experience shows that the present cost of such an obligation could run between \$20,000,000 and \$60,000,000.

The passage of this provision will relieve Amtrak of its legal responsibility, a responsibility they have been shirking.

Please present this letter as part of your testimony before the House Commerce Committee.

If you have any questions please call me.

Sincerely,

WENDELL J. FLANDERS,
Director.

EXHIBIT A

STATEMENT OF BRUCE HAGEN, COMMISSIONER, NORTH DAKOTA
PUBLIC SERVICE COMMISSION

The State of North Dakota is vitally interested in continuation of Amtrak service on the two lines through North Dakota between Chicago, Minneapolis, and Seattle. We are concerned with the current attempts to redraw the Amtrak map because of past reductions in service and broken promises by Amtrak.

Rail passenger service has been traditionally important to North Dakota because of lack of development of other competing modes. Even at this late date, a trip from Grand Forks to Seattle by plane involves a 600-mile detour through Minneapolis. Inter-city bus service is mostly provided by independent companies, with the result that there is no through-motor-coach service along this route, as well. The route of the "Empire Builder" through Grand Forks, Minot, Williston and Havre is the only Amtrak route not paralleled by an interstate highway. In the past two winters, there have been severe weather conditions, when the passenger trains were the only means of conveyance connecting North Dakota cities.

At the time of Amtrak's formation, service was being provided on a daily basis between Minneapolis and Seattle via Bismarck and via Minot. Amtrak

reduced this to a daily train via Grand Forks and Minot. Service was added later in 1971 for an experimental tri-weekly train between Minneapolis and Seattle via Bismarck, which later became part of the basic Amtrak system. Unlike most of the Amtrak trains, this "North Coast Hiawatha" was reduced every fall to tri-weekly operation and then made daily during the summer. It passed through North Dakota towns in the middle of the night, thus not attracting much patronage.

In mid 1977, Amtrak announced budget cuts and corresponding reductions in service. Although the service cuts were scheduled for all areas of the country, a supplementary appropriation went into effect in September 1977, and the cut-backs did not take place—except for the *Empire Builder* and *North Coast Hiawatha*, which have been reduced to four times and three times per week each way, respectively. For the first time since the 19th Century, we have less than daily service to all cities except Fargo. Essentially, there is but one Chicago-Seattle train, which takes different routes on alternate days.

Besides the reduction in service, we have received little but empty promises from Amtrak. Service to Winnipeg, which would connect with the new via Rail Canada system, has been proposed but has come to not. The Chicago-Seattle trains were promised to receive the new electrically-heated *superliners*, but the trains are not yet out-shopped and the future of the trains themselves seem in doubt.

Finally, in late 1977, Amtrak announced a study precedent to the possible elimination or reduction in service. The public was invited to comment on various plans for service restructuring; none of which would include the continuation of the *Empire Builder*. Only a Congressionally-imposed moratorium on discontinuance of service pending a national study prevented Amtrak from putting these plans into effect.

This is why North Dakotans are unwilling to go along with plans for further reduction or rerouting of Chicago-Seattle service. Although there has been much talk of service reductions, in fact, our area is the only part of the country which has actually made any sacrifices. Our elected officials, Congressional delegation, and citizenry are reluctant to support a system which will not benefit our state and its people. Amtrak's five-year plan proposes Grand Forks-Winnipeg service, which would not be possible if the *Empire Builder* is discontinued. Rerouting of the trains away from the Minneapolis-Spokane route would leave the entire northern tier of states west of the Great Lakes bereft of railway passenger service.

We feel that the long-haul train should not be made the scapegoat for Amtrak's financial embarrassment. A recent ICC study shows that only a third of Amtrak's expenses are directly related to train operation. Administration, taxes, infrastructure, executive salaries, cost-plus arrangements with the railroads, and counter-productive labor agreements take a much greater share of the taxpayer's dollars. Significant savings will not occur until these basic problems are dealt with.

Congress and the public have perceived the need for the railroad passenger network. There may or may not be a need for the present Amtrak corporation—a privately-owned company, which is a recipient of Federal funds and enjoys a monopoly status. It may be that some other system, whether a nationalized operation, competitive bidding, or a regional approach, may be a better way to operate passenger service than the present monolith. We agree that the entire Amtrak system and concept need to be re-examined. We support the proposed extension of the DOT (Department of Transportation) study to May 1, 1978, and public hearings by the Office of Rail Public Council as found in Senate 2478, as well as the directive of the Post Office to ship mail by Amtrak whenever possible and the exemption to the Animal Welfare Act which would allow the train to carry cats and dogs as baggage under humane conditions. We feel that H.R. 11089 is an acceptable bill except that it does not provide for adequate input from state officials in areas serviced by the Amtrak system. We find that Senate 2478 is a preferable bill.

North Dakota's research facilities have been studying the problems involving Amtrak's operation in our state for three years now. We feel we have valuable input to make to any system development and would be glad to be of service to this group in making sure that any future system is both cost-effective and balanced in its service to all areas of the country.

OHIO RAIL TRANSPORTATION AUTHORITY,
Columbus, Ohio, February 21, 1978.

HON. BROCK ADAMS,
Secretary of Transportation, U.S. Department of Transportation, Washington, D.C.

DEAR MR. SECRETARY: The Ohio Rail Transportation Authority shares the concerns generally reflected by Commissioner Hennessy of New York in his letter to you of February 9, 1978. At a meeting in Chicago on January 5, 1978, representatives of several states, including those cited by the Commissioner, agreed in principle with the concept of a restructured Amtrak service. Discussions of the specific New York proposal were limited, considering the breadth of deliberations regarding national railroad freight and passenger transportation problems.

The purpose of the proposals by New York are to urge the development of routes to best serve the region. The first step in that process is to better structure Amtrak routes immediately before service deteriorates beyond the point that the current subsidy levels will not support the program. That outcome is imminent. Also, these suggested route and service changes are short-term solutions that can be incorporated in the long-term study being conducted by the Federal Railroad Administration.

In concert with New York, Ohio expects that the Federal Railroad Administration study of the national railroad passenger service system will be comprehensive. A copy of the Ohio High Speed Rail Passenger Plan was transmitted to you for review and if appropriate inclusion in the FRA study. Your attention is directed to both the system characteristics and the demand analysis. Careful review of inputs such as these from all interested parties will confirm Commissioner Hennessy's commentary regarding good rail marketability based on high travel corridors and short-haul trips, especially in the regions east of Chicago.

Along with New York, Ohio strongly supports the concepts of rail passenger service realignment so that traditional markets will be revived for Amtrak. For example, there is a reasonable demand for a route from Pittsburgh to Youngstown to Cleveland. Similarly a north-south route in Ohio would serve high levels of ridership in the Cleveland-Columbus-Dayton-Cincinnati corridor. With these "new" markets and a restructuring of those poorly served in Ohio, Pennsylvania, Michigan, New York, Illinois and the New England states, Amtrak costs could be reduced and its revenues increased.

As previously noted, the specific proposals referred to in the February 9, 1978 letter, were discussed only briefly at the January meeting. A complete program proposal requires extensive deliberations among the affected states, Amtrak, FRA and your office. Thus the Commissioner's train routes and schedules should be interpreted as an initial set of proposals to be a base for those deliberations.

Finally it is the understanding of this office that FRA intends to publish its Amtrak study without submitting a draft to the affected states for comment. Based on extensive public service experiences, we feel that publication (albeit with subsequent public hearings) prior to measuring the external impacts of such a study will heighten the adversary effects of the report. To date the significantly affected states have had little interaction with those at FRA conducting the study. Therefore Ohio suggests that the New York proposal be the springboard for a federal-state cooperative effort to be included in the FRA-Amtrak study.

Sincerely,

NAT SIMONS, JR.,
Executive Director.

NEW YORK STATE DEPARTMENT OF TRANSPORTATION,
Albany, N.Y., February 9, 1978.

HON. BROCK ADAMS,
Secretary of Transportation, U.S. Department of Transportation, Washington, D.C.

DEAR MR. SECRETARY: The rail passenger study mandated by Congress will have a profound impact on the future transportation system of this country.

Hence, we know that the Federal Railroad Administration will make a thorough study and will carefully consider the input from all interested parties before reaching any conclusions.

The States of Illinois, Massachusetts, Michigan, New York and Ohio have agreed upon a restructured Northeast service. The four long-haul routes have been realigned into high travel corridors, emphasizing short-haul trips having good rail marketability. However, connections are maintained at Chicago for Western trains, thus preserving long-haul ridership.

Several important Northeast markets are currently without rail service including Pittsburgh-Cleveland, Cleveland-Columbus-Dayton-Cincinnati, and New York-Western Michigan. Other markets are poorly scheduled, such as New York-Detroit and New York-Philadelphia-Pittsburgh. Our proposals would establish service in the three major corridors currently without service and provide better schedules in the New York-Detroit and New York-Pittsburgh markets, as well as significantly reducing total daily train miles. Train miles are the single largest determinant of the total deficit.

Outlining the specific proposals (see attachment) the Broadway Limited would be rerouted through the more populous cities of Cleveland, Toledo, Elkhart and South Bend; and daytime service from New York to Pittsburgh and from Pittsburgh and Buffalo to Cleveland, Columbus, Dayton, Cincinnati, Indianapolis and St. Louis would be substituted for the National Limited. The St. Louis-Kansas City corridor would be an extension of Chicago-St. Louis, providing a far more reliable service than the National. The Lake Shore Limited will also be restructured, having its main section operate between Buffalo and Chicago via Detroit, Ann Arbor and Kalamazoo, three large cities with substantial university student markets. Direct access would also be provided in the untapped market between Michigan and Massachusetts. In addition, a section of the Lake Shore would operate on a delayed schedule west from Buffalo on its present routing via Cleveland, connecting with the Broadway Limited and the new Ohio State Express. Under this structure, 15 percent fewer train miles would be operated each day, and at the same time major new travel markets such as Pittsburgh-Cleveland and Cleveland-Cincinnati would be served. The only segment of the current system without service would be the route through Canton, Crestline, Lima and Ft. Wayne.

We would be happy to discuss these ideas with you further and we stand ready to assist in implementing them. A few of them would require capital improvements, but all could be completed and in service this year.

Sincerely,

W. C. HENNESSY,
Commissioner.

Attachment.

NORTHEAST RAIL PASSENGER SERVICE SCHEDULES

WOLVERINE

4:30p	New York City	3:10p
7:35p A		O 12:15p
7:50p D	Albany	A 12:00n
1:25a A		D 6:30a
1:40a D	Buffalo	A 4:45a
7:30a A		O 11:55p
7:40a O	Detroit	A 11:45p
12:25p	Chicago	5:00p

OHIO STATE EXPRESS

7:00a	Buffalo	12:00m
11:00a A		D 8:00p
11:30a D	Cleveland	A 7:30p
2:00p A		D 5:00p
2:10p D	Columbus	A 4:50p
5:00p A		D 1:55p
5:10p O	Cincinnati	A 1:45p
7:00p A	Indianapolis	O 11:30a
7:10 O		A 11:20a
11:10p	St. Louis	5:50a

PHILADELPHIAN

10:00a	Philadelphia	4:25p
5:00p	Pittsburgh	9:00a

LAKE SHORE LIMITED

1:20p	Boston	3:25p
7:20p A		D 12:30p
7:50p D	Albany	A 12:00n
1:25a A		O 6:30a
7:00a O	Buffalo	A 12:00m
11:00a A		D 8:00p
11:30a O	Cleveland	A 7:30p
6:45p	Chicago	10:50a

BROADWAY LIMITED

9:45p	New York City	9:40a
9:30p	Washington	9:50a
11:10p	Philadelphia	8:00a
1:00a A		D 6:20a
1:30a D	Harrisburg	A 5:50a
7:00a A		D 12:00m
7:15a D	Pittsburgh	A 11:45p
11:00a A		D 8:00p
11:30a D	Cleveland	A 7:30p
6:45p	Chicago	10:50a

ANN RUTLEDGE

8:35a	Chicago	7:40p
11:45a	Springfield	4:10p
2:05p A		O 2:15p
2:20p D	St. Louis	A 2:00p
8:05p	Kansas City	8:15a

STATEMENT OF JOHN P. KILLORAN,¹ CHAIRMAN, PASSENGER COMMITTEE, NATIONAL
CONFERENCE OF STATE RAILWAY OFFICIALS

Mr. Chairman, the National Conference of State Railway Officials appreciates the opportunity to comment regarding pending legislation that would impact intercity passenger service in America.

Our conference represents state agencies which are working daily to improve rail transportation, both freight and passenger, for our citizens. My comments this morning are the result of consultation and meetings of the several states involved and generally represent our combined position.

The State Rail Conference believes in the role of an intercity rail passenger service in the national policy as it relates to transportation, energy and land use. Its need is not only in the congested Northeast corridor, but other metropolitan corridors as well as tying together communities. Greater impact per public dollar expended can be achieved in implementing an improved rail passenger system than other modes of transportation. During the past winter it has been proven once again that they were the "only game in town" in moving people. Public acceptance and use of rail passenger services is increasing steadily.

However, there is a growing dissatisfaction with the present mechanism of rail passenger service; there is decreasing service (or threats) and increasing deficits. Legislation pending before this committee is evident of that dissatisfaction and each bill has sections of merit. My comments will be directed broadly to the problems with specific references to sections of the various bills, particularly H.R. 11493 introduced by Mr. Staggers, which contains the best approach toward resolving the dissatisfaction.

The heart of all the legislation is an examination of where are we going with rail passenger service, both structure of service as well as where service is to be offered. I, nor other members of the State Rail Conference, can give you the "correct" answer. Therefore, we concur with the suggestion that this be a year of "status quo" operation with minor changes: that the Amtrak structure remain intact until a reasoned, practical mechanism is established and that routes, except where an improvement of service can be shown, be maintained.

Suggestions that the rail passenger system be incorporated into the federal government are without adequate foundation. Examination of the present federal agencies reveals almost uniform dissatisfaction with their programs and their ability to administer those programs. The abolition of the Amtrak Board of Directors as proposed by legislation presented by Mr. McFall of California and replaced by a three person directorate is, in appearance, akin to appointing the federal executors of the estate in charge of dismembering the system, a solution we strongly oppose.

Our suggestion is to maintain the present Amtrak Board of Directors so that a continuity of management can be continued in the short-term. Also we suggest that the merits of restructuring the National Railroad Passenger Corporation be restructured into a private, not for profit corporation, be examined.

The Conference strongly requests also that Congress should provide for appointment of no less than three (3) persons to the Amtrak Board of Directors who are truly representative of the states. The provision of rail passenger service is a vital interest of the states, as evidenced by the states contracting for rail services under section 403-B of the Amtrak Act. This involvement and concern should be reflected by placing states' representation on the Board.

At present there are several rail service route "re-examination studies" either underway or contemplated; this re-examination is necessary, however, it is strangely reminiscent of the process that gave us Conrail. In the haste to "solve" the northeast bankrupt railroad problems in 1973, there was a period of intense Federal planning which resulted in immediate deadlines without any time for review which would allow for rational thought. Instead vetoes on the system were legislatively imposed, funding was insufficient and we have Conrail coming back to Congress projecting that it will have spent \$2 billion in the very near future, requesting another \$1 billion and still there is a marginally improved railroad without real hopes of being profitable. The situation in the mid-west is also reminiscent of this developing problem. We don't need this process again in which the future of the intercity rail passenger system is in

¹ Mr. Killoran is executive director, West Virginia Railroad Maintenance Authority, the designated State rail planning agency.

the hands of a few federal agency bureaucrats assisted by a small army of consultants removed from the use of that system and its users. The sensitivity to local and state needs is missing.

The National Conference of State Railway Officials strongly recommends that all interested parties should be involved in the formulation of the system; particularly the designated state rail agencies under terms of the RRR and RRRR Acts, which have been formulating their own rail freight and passenger plans and programs in the past several years. Too often plans which only allow the participants to comment have already been set in an irreversible or unanswering course of action which lumbars forward bowling everyone over. This has been particularly true with the rail system plans, both passenger and freight which have been presented in the past.

This process of re-examination should be a coordinated process in which comments are solicited, reviewed and reported on. A suggested change in these procedures would be initial recommendations of the plan in one agency (such as the Federal Railroad Administration or Amtrak), continued development by all interested parties and a final formulation by the Rail Services Planning Offices with the RSPO submitting this final plan to the Congress. This will limit the preconceived notion problem which has existed in the past. This process should result in a new timetable which will allow for an improved re-examination allowing more time for study. The timetable is (Day one is the effective date of the legislation):

- a. Submission of the initial issue identification and recommendations by the Secretary of Transportation. This will be in consultation with the various interested parties—within 120 days.

- b. A period of public hearing and review by the Rail Services Planning Office on the initial recommendations—within 240 days.

- c. Submission of a final draft set of route recommendations by RSPO. Submit or final comment—within 330 days.

- d. Submission of final recommendations by RSPO to Congress—within 360 days.

The State Rail Conference supports the language of HR 11493 which requires express approval of the final recommendations. We assume this process would continue until Congress totally agrees with the final plan. The State Rail Conference agrees with the requested recommendations for route system, quality of service as contained in Section 4b of HR 11493 as the guidelines for this system re-examination. The Conference suggests the list of study participants be expanded to include all states and that the designated state rail agency under the terms of the RRR and RRRR Acts be provided with copies of the study.

As a guideline to this route re-examination the Conference recommends that a "Policy" statement which was contained in Senate Bill S 2478, Section 8, be incorporated into any House Legislation. This "Policy" would amend the Rail Passenger Service Act to provide for Amtrak's employment of innovative operating concepts while maximizing the public benefits. This concept is long overdue and would provide stimulus to improve the nation's rail passenger service.

However, one of the principal problems with Amtrak is its inability to provide quality rail service with reluctant and deteriorating railroads. In summary, the railroads don't want to encourage rail passenger services and in some instances have gone to great lengths to make life miserable for the traveling public. For good public relations, you would think the railroads would encourage the image of a clean fast and efficient passenger service instead of the bad press they are receiving today. This is coupled with the altering character of the nation's railroads. Railbeds that were good for 80-mile-per-hour operation of passenger and manifest freight trains in the past are only good for 50 miles per hour operation of all trains at present in some areas of the country. The abuse of unit coal trains on the track is massive and the maintenance is not sufficient resulting in a poor track condition which prevents economic, efficient and safe rail passenger service operation. Amtrak needs the power to enforce its contracts and the railroads need the incentive for providing that fast and efficient service. Alternatives should be explored in this route re-examination study.

Continued rail service is necessary during this time and State Rail Conference supports the funding levels proposed in H.R. However, a minimum of three per cent of these operating and capital monies should be allocated to provide

funding Amtrak's share of the 403-B services. In the past Amtrak has cited lack of funds as failure to provide rail services for which it has contracted. This has resulted in the lack of continuing support of these services which are necessary and in the best state and local interest.

The Northeast Corridor is a major concern of the Conference as is its lack of progress. The conflict between Amtrak and the Department of Transportation are legion. The Conference suggests that only one agency be in charge of this improvement program and that the needs and programs of the local and state agencies be incorporated into this program. The language contained in Section 4 is supported by the Conference.

The Conference encourages the transportation of the U.S. mails by rail as being energy efficient as well as providing needed revenue to the rail passenger system. However, the language of section 6 of the HR 11493 is not strong enough. Unfortunately, while the intent is stated justifications for not using rail service can be developed. The Congress suggests that the Postal Service be required to experiment on a massive scale with containerized mail transportation on several routes and that such experiment be incorporated into the normal distribution, not as an add-on feature.

The Conference also supports and endorses Sections 7 ("New Entry Into System"), and 10 ("Experimental Route Determination Requirement") of HR 11493. Section 9 pertaining to the "Midwestern Rail Passenger Service Continuation" is required. Several midwestern rail passenger corridors have deteriorated because Conrail hasn't upgraded deteriorating track in accord with the Final System Plan. The Cincinnati-Indianapolis-Chicago and Indianapolis-Dayton-Columbus routes are two of the best examples of the need for this language.

Section 8 of this legislation exempts Amtrak from an obligation to maintain overhead highway bridges, the Conference strongly opposes this section. If passed the section would result in these bridges becoming orphans without any party becoming responsible for their maintenance. In addition, a great deal of deterioration had previously occurred in these structures, the result of lack of maintenance by the previous owners, bankrupt railroads. It is the responsibility of the estates of the bankrupt carrier or that of the present owner to rehabilitate these structures and are claims against the estates for negligence. Until this matter is resolved, the good intent of this section would be abrogated.

The new Section 402(a) of the Rail Passenger Service Act, as proposed in Section 11, is supported by the Conference. However, there are several recommendations: (a) That the powers of schedule making and enforcement of contract by Amtrak be increased so that Amtrak is in control of the rail passenger service, not the reluctant railroad; (b) the standards for a mediocre performance, with exceptions for Acts of God, etc., be tightened; and (c) an incentive system be established for improving deteriorating track conditions.

The Conference proposes that a new section be added to the legislation allowing the States to institute legal proceedings against the National Railroad Passenger Corporation. Unfortunately, the U.S. Attorney General is the only agency that can bring suit against Amtrak and Amtrak matters have a low priority with the Department of Justice. The most recent example is the states' efforts to halt the sale of supposedly "excess" passenger cars which are presently needed by Amtrak to maintain adequate backup capability, the states were unsuccessful in legal efforts because of this "protection" and the sale proceeded. The result was Amtrak was once again short of equipment this past winter.

In summary, the National Conference of State Railway Officials, on behalf of its member states, believe that this should be a year of rational and reasoned study of America's intercity rail passenger system and that its recommendations will result in a better system in the end.

Thank you.

Mr. ROONEY. Thank you very much.

Mr. Elkins, I wonder whether or not you can tell the committee whether or not DOT has turned down any 403(b) trains?

Mr. ELKINS. It is our understanding that DOT does not have the role; it is Amtrak. We have not been aware of any that have been turned down by DOT. It is our concern with Amtrak not being able to fulfill 403(b) requests.

In one case, California had some services refused and New York had some difficulty in implementing some additional services.

Mr. ROONEY. Considering the fact that both the Congress and Amtrak believe that the route structure should be frozen, what is your justification for believing that additional 403(b) trains should be inaugurated at this time?

Mr. ELKINS. The justification is that the States would be contributing 50 percent of the money, and any new services under 403(b) would be in corridor where there is some type of passenger service now or the tracks or facilities would be there to maintain passenger service and, more important, it would be a readily available market for rail passenger service.

Mr. ROONEY. Thank you very much. We appreciate very much your contribution.

Mr. ELKINS. Thank you, sir.

Mr. ROONEY. Our next witness will be Mr. Arthur Lewis, the chairman of the American Bus Association.

You may be interrupted.

Mr. LEWIS. Mr. Chairman, I appreciate very much the opportunity to address this committee this afternoon.

Mr. ROONEY. I think that we will take a 10- or 15-minute break. [Brief recess.]

Mr. Russo [presiding]. The subcommittee will come to order. Please proceed, Mr. Lewis.

STATEMENT OF ARTHUR D. LEWIS, PRESIDENT, AMERICAN BUS ASSOCIATION

Mr. LEWIS. Thank you, Mr. Russo.

I appreciate very much the opportunity to appear before you today. In one respect, I would like, while I am the president of the American Bus Association, I would like to qualify myself somewhat more, because some of the things that I am going to say today are somewhat controversial, and I simply would like to indicate the experience that I have had which leads me to believe as I do.

I spent most of my adult career in the transportation business, the first 14 years with American Airlines, during which time I was head of the economic planning department for American Airlines.

The economic planning department had the responsibility to determine where the company made money and what it could do to improve its profits, what its rates and fares should be. It analyzed American's traffic demands and evaluated the trade-offs comparing the net benefit of a rate increase with the possibility of generating higher profits by carrying a greater volume of people at lower fares.

It has been that experience, among other things, that leads me to believe some of the things that I say today.

As I have previously testified before this committee, public policies relating to the development of Amtrak are of vital interest to the intercity bus industry. It is my hope that those public policies will increasingly take into account the adverse effects of Amtrak on the economic welfare of the intercity bus industry.

Perhaps in time, transportation policies will be developed which take into consideration the interrelated requirements and contributions of all forms of private common carrier transportation. There is much good that can come from an integration in the development of all modes of transportation, but if the integration is to be made to work, planning for it must take into account the ability of each mode to contribute effectively based on its own inherent strengths. The independent development of Amtrak as it has taken place since 1971 has not only led to massive outlays of taxpayers' money to support it, but has resulted in getting very little incremental value for the expenditures made. Thus, I think it is timely for a complete reappraisal of public policies in Amtrak's development and I would like to comment on H.R. 11089 which is one bill that has been introduced leading to that reappraisal.

Mr. Chairman, if I may, I will submit my whole statement for the record and try to summarize the high points. I know we are running late.

The proposed legislation is a good step forward, a measure which, if adopted, would lead to an improvement in the direction that Amtrak is taking. We are in agreement with one part of the philosophy stated in the "findings and declaration of purpose," that the "cost of providing such service should be covered by the rates charged for such services." But, the qualifier which reads "except when a lesser rate is in the public interest" could be troublesome and I doubt its necessity in the public interest. We would be concerned that once again such a qualifying phrase would result in a misdirection of Amtrak. The bill does not establish a standard or mechanism for making a determination of what rate level is in the public interest.

Experience has shown that neither Amtrak's management nor its board of directors would be able to approach this in an unbiased manner. The Draft Environmental Impact Statement on the Northeast corridor project shows clearly that the Federal Railroad Administration is biased in its approach to Amtrak. If this clause is to be retained in the law, it would seem to me that it is absolutely essential that Amtrak's rates and fares come under the jurisdiction of the Interstate Commerce Commission.

Every mode of transportation has its partisan supporters just as I am one of those for the bus industry. Only the Interstate Commerce Commission is institutionally oriented so that it can approach such problems in a disinterested manner.

There is no common carrier mode of transportation operating today which could not justify Government subsidies of a rather substantial amount if public interest were the principal factor which justified subsidy. All common carriers are vested with a public interest and our laws regulating them are predicated on that public interest. Indeed, there are thousands of consumer products which are vested with a public interest equally to the degree of Amtrak. What is there about Amtrak which rivals in public interest the food we consume, the homes we buy or rent, or the clothes we wear, the medicines and medical services we receive? Amtrak must be recog-

nized for what it is—it constitutes either the third or fourth way for passengers to travel between cities in this country. It should be sharply delineated from the remainder of rail passenger service which exists in this country and which is much larger than Amtrak in volume and much more energy efficient in moving people in the mass.

In 1976, over 270 million people rode railroads in this country. Amtrak contributed only 19 million of these riders—only 7 per cent. Amtrak is not even large in relation to rail passenger service in this country, much less large in relation to the total movement of intercity passengers by either of its common carrier competitors. It is de minimis when the private automobile is included. Except in the eyes of its partisan supporters, it cannot rank high in the order of those consumer products in which the public has a deep concern.

Thus, Mr. Chairman, I strongly urge that this clause be deleted and that Amtrak be forced to price itself as do its competitors, so as to recover its costs. If this clause remains in the act, then I urgently recommend that Amtrak's rates and fares be placed under the jurisdiction of the Interstate Commerce Commission, subject to regulation as are its competitors.

The bill directs the Secretary of Transportation to undertake a comprehensive examination of the corporation's route structure from a zero base and instructs him to consider the adequacy of other transportation alternatives serving the same points. That is good as far as it goes, but I urgently request that the Secretary be asked also to evaluate the impact of subsidies to Amtrak on competing modes of transportation as well. We are well past the point in this country when public support can be channeled to the benefit of one mode of transportation without taking into consideration the adverse consequences of that support on other modes, particularly those which are privately financed and managed.

Mr. Russo. Mr. Lewis, I am going to have to make a recorded vote. I will be back as soon as I make that vote.

[Brief recess.]

Mr. Russo. All right, Mr. Lewis, I am sorry for the inconvenience.

Mr. Lewis. Thank you.

In that regard, gentlemen, I think it is important to realize just how Amtrak subsidies are being used. Not being held accountable for profit or for minimizing its subsidy needs, Amtrak has used its subsidies to increase its ridership at the expense of the bus industry. Over a period of time, it has dropped its rates to a level equal to or below the level of those charged by the intercity bus competitor. Amtrak rates are predatory in nature and designed to divert as much traffic as possible. I will present facts on this later in my testimony. I do not know of any other subsidy program of the Government which is primarily directed to enhancing the competitive position of one element of a multielement and highly competitive industry. Most Government subsidy programs are directed to improving the income base or standard of living of economically distressed people or communities, or to stimulate the general economy and its productive capacity or to facilitate the purchase of homes and other similar programs.

We endorse the restructuring of the board of directors as proposed in H.R. 11089. The public board has been dominated by people who have strong partisan interests in the unbridled development of Amtrak, yet have no responsibility and accountability for the expenditure of public funds. You will not be able to bring Amtrak's subsidies under control and redirect its policies as long as the board remains constituted as it is. The public interest can be served effectively only if those responsible for public policy are also responsible for the expenditures of money in support of those policies.

Mr. Chairman, I believe most strongly, however, that if it became law, the proposal in this bill to eliminate profitability as a goal will result in ultimately defeating all the constructive elements of the bill. I believe a principal reason that Amtrak has become such a voracious consumer of tax dollars is that for all practical purposes, most people concerned with Amtrak's development have assumed that Amtrak could not be operated at a profit or at a break even in cash flow. Thus, public policies have been adopted which encourage Amtrak's management to think it did not have to manage the company so as to bring about a profit. Thus, management policies were adopted which brought about increasing losses and this, in turn, further created the impression that a profitable development of the company was impossible.

Regardless of whether it is questionable that Amtrak will ever be able to operate without some subsidy, a profit test is essential if any discipline is to govern the development of corporate and related public policies. It is only natural that any management will respond to the tests of performance by which it is being measured.

If ridership is the sole criterion of good performance, marketing strategies which increase ridership will be developed. On the other hand, if profit—or reduced subsidy dependence—is an important test of performance, management will develop policies which are designed to optimize net revenues, even though some reduction in traffic volume might occur. Management will develop pricing strategies and service goals which are based on a careful evaluation of the net gain from a prospective change.

These are tough marketing decisions one must make in any business managed for profit. It certainly governs the marketing strategies of Amtrak's common carrier competitors, the intercity bus companies and the airlines. They must develop their services in response to the needs of the traveling public and they must price them in a way to optimize their net operating results.

Only Amtrak has the ability to price itself foolishly in the marketplace and turn to the Government to make up the deficit incurred thereby—such as, for example, its recently announced fare policy of giving free rides to children with the presentation of three Kellogg's boxtops.

Mr. Chairman, Amtrak's pricing strategies have been justified by Amtrak officials on the basis that they have been mandated by Congress to increase ridership regardless of cost. This, I believe, was a distortion of congressional intent by Amtrak officials themselves

and contrary to the underlying concept of its development. Therefore, I think it is very timely for Congress to reiterate its policy statements regarding Amtrak developments and state clearly that it should move within a limited period of time to adopt those service and rate policies which will ultimately take Amtrak off subsidy or reduce it to a very low level.

Amtrak could reduce its subsidy requirements drastically if it were made to charge a rate at or near its full costs of doing business. That is true, not only in the corridor but on its longer routes throughout the country.

Amtrak partially explains its fare policies on the basis that its traffic is rate sensitive and therefore demand is elastic. Every form of transportation has some degree of elasticity in the demand for its product but the elasticity is not large. There is no reason to assume that Amtrak's elasticity is any greater than that for the intercity bus industry. In all probability, it is between the elasticity of demand for airline service and bus service. The intercity bus industry and the airlines have had to develop their pricing strategies so as to recover their full costs and demand elasticity has not prevented their doing so. I personally believe that in rail as in airline and bus travel, one can improve net operating results by charging higher rates closer to costs.

Only Amtrak can deliberately underprice its services and turn to the Government to make up the deficit resulting from that action. As a result, as I have stated earlier, over a period of years, Amtrak's pricing policies have become predatory and have completely changed the relationship of its average rate level with its competitors, particularly with that of the intercity bus industry. Amtrak filed its first unique consolidated tariff on January 16, 1972, which restated the basic rates which had been in force when it commenced operation on May 1, 1971. In table I [see p. 131] we have compared basic Amtrak one-way rates at that time with those of the intercity bus industry on a number of representative routes. At that time, on an average, Amtrak's one-way rates on these segments exceeded intercity bus rates by 25.9 percent. Since then, however, Amtrak has not increased its rates commensurately with its cost inflation and now its one-way fares on these same routes are only 1 percent more than the average charged by the intercity bus.

The comparison of one-way fares tells only part of the story. In table II [see p. 132] we have compared excursion fares in effect today with the lowest comparable round trip or excursion fares in existence on each of these routes in 1971. In 1971, the bus industry offered round trip fares at 190 percent of one-way fares. Amtrak did not offer any reduction for round trips. Only a few excursion fares were in existence.

According to table III [see p. 132], the average round trip fare or excursion fare for that time was above that of the intercity bus industry by 24.8 percent. Today, it is 11.2 percent below the bus. This is predatory pricing when Amtrak's costs today are three times that of the bus industry.

Amtrak has justified this pricing strategy as being required to divert onto traffic to its services. The very slow rate of growth of

Amtrak's traffic indicates that this marketing strategy has failed. In my experience, I have seen little evidence that would indicate that price is of major consideration in the decision of an individual either to take his car or alternatively to take any common carrier mode of transportation.

The only diversion of business to Amtrak that has occurred because of its pricing policies has been diversion of traffic from its common carrier competitors, principally from the intercity bus industry. I do not think that this was the intent of Congress when it established Amtrak and gave it its pricing freedom. I do not know of any other Government subsidy program which is being subverted in this manner.

I am sure that in very large part, Amtrak's steadily rising need for subsidy reflects these pricing strategies. In 1972, Amtrak recovered 52 percent of its costs of operation from commercial revenue. In 1977, this had dropped to 36 percent. This drop occurred because of management decisions to lower fares against its common carrier competitors and was not due to events over which management had no control.

While it may turn out that even under a very aggressive profit-oriented management that Amtrak may never become fully profitable, that still is no reason for abandoning the profit goal. With the goal in existence, there is a very legitimate pressure on Amtrak to increase its commercial revenues and to reduce its subsidy to the maximum extent feasible.

To abandon the profit goal today merely because we have not charged Amtrak with that goal in the past will create a condition leading to ever-mounting subsidies.

Mr. Chairman, in the directive to the Secretary to reexamine Amtrak's routes, he is asked to develop a route structure "which will provide an optimal intercity railroad passenger system based upon current and future market and population requirements." He is also to consider "any unique characteristics and advantages of rail service as compared to other modes of transportation, and the relationship of the benefits of given services to the costs of providing such services." This study is to be completed by May 1, 1978, and is currently being conducted by the Federal Railroad Administration in response to an earlier request from Congress.

Based on the work done by the Federal Railroad Administration in its analysis of the environmental impact of the Northeast corridor project issued in draft form last August, I seriously doubt whether as an organization, it can make balanced recommendations on these matters. Our analysis showed that the report contained several assumptions which were not borne out by readily available facts and were contrary to existing economic and social trends. Furthermore, these assumptions ran to the very heart of the issues involved and a correction of them to reflect current facts would result in an invalidation of the entire project.

I am submitting a copy of our reply to the draft statement and will only summarize briefly the report in my oral testimony.

The projections of traffic volume to be accommodated through 1990 was based, among other things, on an increase of population in the corridor of 23 percent from 1975 to 1990.

Actual population in the corridor has been trending down for many years and the Bureau of Census has forecast currently that it will continue down. There is nothing on the horizon which will reverse that downward trend by 1990. Thus, population in the corridor will be down from 1975 to 1990 rather than up 23 percent.

Two: The traffic forecast assumes there will be a sharp increase in per capita travel in the corridor between 1975 and 1990.

Actually, the trend in total common carrier traffic in the corridor has been down since 1970 and automobile traffic has increased only modestly. It is more likely that total traffic, including automobile, will be down between 1975 and 1990 than that it will rise sharply. With neither population nor per capita travel up significantly, the expanded Amtrak services visualized in the Northeast corridor project are not necessary.

Three: The report assumes that Amtrak will cut fares 10 percent north of New York and 19 percent south and that this coupled with slightly shorter elapsed times will result in a diversion to Amtrak of one out of eight potential automobile passengers.

There is no study of U.S. travel habits which will support that conclusion. It is commonly accepted that the marriage of the American consumer to his car is on very firm grounds and that only with an actual shortage of fuel will there be a significant diversion of automobile traffic to any common carrier means of travel.

Five: The project is also justified on the basis that Amtrak must be expanded to relieve the congestion on highway facilities in the corridor although the report recognizes that even if one out of eight intercity passengers are diverted to Amtrak that the improvement in congestion would be minimal.

Seven: The impact statement projects an improvement in energy consumption of .6 percent, a minimal figure by any calculation.

However, even that improvement is false. Actual energy consumption would increase significantly. This very modest savings figure is predicated on a load factor for Amtrak of 61 percent. This compares to a load factor of 37 percent for the "base" period selected. There is no possible way that Amtrak can achieve a load factor approaching 61 percent under normal traffic conditions, particularly when it is programming 1990 operations with 390 passenger trains. Thus, the FRA analysts have likely understated Amtrak's energy consumption by one-third. This would result in a significant increase in total energy consumption, not taking into consideration the possibility of an even greater diversion from the fuel efficient bus than has been forecast.

The FRA document has presented a biased analysis of the factors affecting Amtrak's traffic, costs and volume of business and has treated rather cavalier the fundamental issues facing other common carrier modes of travel. If its analysis of Amtrak's routes due out May 1 is not significantly more candid as to the factors affecting profitability, we will not be getting much of an improvement over the disaster that Amtrak represents today.

Mr. Russo. Thank you very much, Mr. Lewis. We appreciate your testimony. For the record, we will include the entire testimony in the record.

Mr. Lewis. Thank you.

[Testimony resumes on p. 139.]

[Mr. Lewis' prepared statement follows:]

STATEMENT OF ARTHUR D. LEWIS, PRESIDENT, AMERICAN BUS ASSOCIATION

Mr. Chairman, I appreciate very much the opportunity to appear before you today. As I have testified previously before this Committee, public policies relating to the development of Amtrak are of vital interest to the intercity bus industry. It is my hope that those public policies will increasingly take into account the adverse affect of Amtrak on the economic welfare of the intercity bus industry. Perhaps in time, transportation policies will be developed which take into consideration the interrelated requirements and contributions of all forms of private common carrier transportation. There is much good that can come from an integration in the development of all modes of transportation, but if the integration is to be made to work, planning for it must take into account the ability of each mode to contribute effectively based on its own inherent strengths. The independent development of Amtrak as it has taken place since 1971 has not only led to massive outlays of taxpayers' money to support it, but has resulted in getting very little incremental value for the expenditures made. Thus, I think it is timely for a complete reappraisal of public policies in Amtrak's development and I would like to comment on H.R. 11089 which is one bill that has been introduced leading to that reappraisal.

The proposed legislation is a good step forward, a measure which, if adopted, would lead to an improvement in the direction that Amtrak is taking. We are in agreement with one part of the philosophy stated in the "findings and declaration of purpose," that the "cost of providing such service should be covered by the rates charged for such services." But, the qualifier which reads "except when a lesser rate is in the public interest" could be troublesome and I doubt its necessity in the public interest. We would be concerned that once again such a qualifying phrase would result in a misdirection of Amtrak. The bill does not establish a standard or mechanism for making a determination of what rate level is in the public interest. Experience has shown that neither Amtrak's management nor its Board of Directors would be able to approach this in an unbiased manner. The Draft Environmental Impact Statement on the Northeast Corridor Project shows clearly that the Federal Railroad Administration is biased in its approach to Amtrak. If this clause is to be retained in the law, it would seem to me that it is absolutely essential that Amtrak's rates and fares come under the jurisdiction of the Interstate Commerce Commission. Every mode of transportation has its partisan supporters just as I am one of those for the bus industry. Only the Interstate Commerce Commission is institutionally oriented so that it can approach such problems in a disinterested manner.

There is no common carrier mode of transportation operating today which could not justify government subsidies of a rather substantial amount if public interest were the principal factor which justified subsidy. All common carriers are vested with a public interest and our laws regulating them are predicated on that public interest. Indeed, there are thousands of consumer products which are vested with a public interest equally to the degree of Amtrak. What is there about Amtrak which rivals in public interest the food we consume, the homes we buy or rent, the clothes we wear, the medicines and medical services we receive? Amtrak must be recognized for what it is—it constitutes either the third or fourth way for passengers to travel between cities in this country. It should be sharply delineated from the remainder of rail passenger service which exists in this country and which is much larger than Amtrak in volume and much more energy-efficient in moving people in the mass. In 1976, over 270,000,000 people rode railroads in this country. Amtrak contributed only 19,000,000 of these riders—only seven percent. Amtrak is not even large in relation to rail passenger service in this country much less large in relation to the total movement of intercity passengers by either of its common carrier competitors. It is de minimis when the private automobile is included. Except in the eyes of its partisan supporters, it cannot rank high in the order of those consumer products in which the public has a deep concern.

Thus, Mr. Chairman, I strongly urge that this clause be deleted and that Amtrak be forced to price itself as do its competitors, so as to recover its costs. If this clause remains in the Act, then I urgently recommend that Amtrak's rates and fares be placed under the jurisdiction of the Interstate Commerce Commission, subject to regulation as are its competitors.

The bill directs the Secretary of Transportation to undertake a comprehensive examination of the Corporation's route structure from a zero base and instructs him to consider the adequacy of other transportation alternatives serving the same points. That is good as far as it goes, but I urgently request that the Secretary be asked also to evaluate the impact of subsidies to Amtrak on competing modes of transportation as well. We are well past the point in this country when public support can be channeled to the benefit of one mode of transportation without taking into consideration the adverse consequences of that support on other modes, particularly those which are privately financed and managed.

In that regard gentlemen, I think it is important to realize just how Amtrak subsidies are being used. Not being held accountable for profit or for minimizing its subsidy needs, Amtrak has used its subsidies to increase its ridership at the expense of the bus industry. Over a period of time, it has dropped its rates to a level equal or to below the level of those charged by the intercity bus competitor. Amtrak rates are predatory in nature and designed to divert as much traffic as possible. (I will present facts on this later in my testimony.) I do not know of any other subsidy program of the government which is primarily directed to enhancing the competitive position of one element of a multielement and highly competitive industry. Most government subsidy programs are directed to improving the income base or standard of living of economically distressed people or communities, or to stimulate the general economy and its productive capacity or to facilitate the purchase of homes and other similar programs.

Thus, evaluating the impact of government subsidies on Amtrak's competitors is absolutely essential if we are to develop all modes of transportation in this country in a manner best suited to meeting the needs of all elements of the traveling public, and if we are to keep private investment funds flowing into competing transportation modes. The cumulative impact of Amtrak subsidies and its predatory rate policies is resulting in the gradual curtailment of competing intercity bus service in critical areas. This has been true particularly in the Northeast Corridor since 1971. Apropos of the subject, I am including as Appendix I a copy of our reply to the Draft Environmental Impact Statement on the Northeast Corridor Improvement Project. This report sharply highlights the indifference of the Federal Railroad Administration to the plight of competing forms of transportation in the development of that project.

We endorse the restructuring of the Board of Director as proposed in H.R. 11089. The public Board has been dominated by people who have strong partisan interests in the unbridled development of Amtrak, yet have no responsibility and accountability for the expenditure of public funds. You will not be able to bring Amtrak's subsidies under control and redirect its policies as long as the Board remains constituted as it is. The public interest can be served effectively only if those responsible for public policy are also responsible for the expenditures of tax money in support of those policies.

Mr. Chairman, I believe most strongly, however, that if it becomes law the proposal in this bill to eliminate profitability as a goal will result in ultimately defeating all the constructive elements of the bill. I believe a principal reason that Amtrak has become such a voracious consumer of tax dollars is that for all practical purposes, most people concerned with Amtrak's development have assumed that Amtrak could not be operated at a profit or at a break even in cash flow. Thus, public policies have been adopted which encourage Amtrak's management to think it did not have to manage the company so as to bring about a profit. Thus, management policies were adopted which brought about increasing losses and this, in turn, further created the impression that a profitable development of the company was impossible.

Regardless of whether it is questionable that Amtrak will ever be able to operate without some subsidy, a profit test is essential if any discipline is to govern the development of corporate and related public policies. It is only

natural that any management will respond to the tests of performance by which it is being measured. If ridership is the sole criterion of good performance, marketing strategies which increase ridership will be developed. On the other hand, if profit (or reduced subsidy dependence) is an important test of performance, management will develop policies which are designed to optimize net revenues, even though some reduction in traffic volume might occur. Management will develop pricing strategies and service goals which are based on a careful valuation of the net gain from a prospective change.

These are tough marketing decisions one must make in any business managed for profit. It certainly governs the marketing strategies of Amtrak's common carrier competitors, the intercity bus companies and the airlines. They must develop their services in response to the needs of the traveling public and they must price them in a way to optimize their net operating results.

Only Amtrak has the ability to price itself foolishly in the marketplace and turn to the government to make up the deficit incurred thereby (such, as for example, its recently announced fare policy of giving free rides to children with the presentation of three Kellogg's box tops).

Only Amtrak can have a policy of deliberately not raising its rates to meet fully the rising costs due to inflation. This policy has been an integral part of the marketing strategy of Amtrak for several years. In Amtrak's latest five-year plan it projects the higher costs due to inflation for the next five years and proposes to recover only about 30 percent of that increase in higher rates.

No private business can follow this policy. Amtrak's competitors have no recourse but to charge higher fares due to inflation, except of course, as they might find ways and means of operating with greater efficiency.

Mr. Chairman, Amtrak's pricing strategies have been justified by Amtrak officials on the basis that they have been mandated by Congress to increase ridership regardless of cost. This, I believe was a distortion of Congressional intent by Amtrak officials themselves and contrary to the underlying concept of its development. Therefore, I think it is very timely for Congress to reiterate its policy statements regarding Amtrak developments and state clearly that it should move within a limited period of time to adopt those service and rate policies which will ultimately take Amtrak off subsidy or reduce it to a very low level.

Amtrak could reduce its subsidy requirements drastically if it were made to charge a rate at or near its full costs of doing business. That is true, not only in the Corridor but on its longer routes throughout the country.

Amtrak partially explains its fare policies on the basis that its traffic is rate sensitive and therefore demand is elastic. Every form of transportation has some degree of elasticity in the demand for its product but the elasticity is not large. There is no reason to assume that Amtrak's elasticity is any greater than that for the intercity bus industry. In all probability it is between the elasticity of demand for airline service and bus service. The intercity bus industry and the airlines have had to develop their pricing strategies so as to recover their full costs and demand elasticity has not prevented their doing so. I personally believe that in rail as in airline and bus travel, one can improve net operating results by charging higher rates closer to costs.

There is no marketing reason that rail services should not be made self-sustaining on the routes where Amtrak provides an important public service, as for example in the Northeast Corridor between Washington and Boston. There is no reason to believe that the public will not pay at least the costs incurred by Amtrak itself in operating its Corridor services and perhaps even help amortize the cost of improving the tracks. The public pays what it costs to ride the airlines and the bus. And it should pay the cost of riding the train as well.

Also, regarding inflation, there may be a tendency for some small number of people to stop traveling as the basic cost of travel rises. But fundamentally, in an inflationary period all consumer prices rise as does personal income. The price of transportation is basically indexed to the increases in the cost of living. Inflation affects the price of virtually all consumer products as well as

transportation and people have more money in hand to pay for what they buy. There is no reason why Amtrak cannot increase its rates proportionately to its increases in the cost of doing business—as do all American businesses including Amtrak's competitors.

There is no reason that public policy should decree that when traveling by train passengers should be spared the higher cost of inflation but when traveling by bus and airline they should not. There is also no reason that Amtrak, as a company, need be spared the incentive to cut costs and increase operating efficiencies as a way of absorbing the higher costs of inflation while airlines and buses are not.

Only Amtrak can deliberately under price its services and turn to the government to make up the deficit resulting from that action. As a result, as I have stated earlier, over a period of years, Amtrak's pricing policies have become predatory and have completely changed the relationship of its average rate level with its competitors, particularly with that of the intercity bus industry. Amtrak filed its first unique consolidated tariff on January 16, 1972, which restated the basic rates which had been in force when it commenced operation on May 1, 1971. In Table I we have compared basic Amtrak one-way rates at that time with those of the intercity bus industry on a number of representative routes. At that time, on an average, Amtrak's one-way rates on these segments exceeded intercity bus rates by 25.9 percent. Since then, however, Amtrak has not increased its rates commensurately with its cost inflation and now its one-way fares on these same routes are only one percent more than the average charged by the intercity bus.

The comparison of one-way fares tells only part of the story. In Table II we have compared excursion fares in effect today with the lowest comparable round trip or excursion fares in existence on each of these routes in 1971. In 1971, the bus industry offered round trip fares at 190 percent of one-way fares. Amtrak did not offer any reduction for round trips. Only a few excursion fares were in existence.

Table I.—A COMPARISON OF TYPICAL INTERCITY BUS AND AMTRAK 1-WAY FARES, FEBRUARY 1972 AND 1978

	Feb. 16, 1972		Feb. 10, 1978	
	Bus	Amtrak	Bus	Amtrak
New York, N.Y. to—				
Boston, Mass.	\$10.45	\$12.75	\$20.40	\$19.50
Philadelphia, Pa.	4.85	5.25	9.40	9.25
Washington, D.C.	11.20	13.00	20.95	20.50
Pittsburgh, Pa.	19.10	25.25	33.85	33.00
Miami, Fla.	52.45	59.01	88.30	86.00
Buffalo, N.Y.	19.40	22.75	36.10	34.40
Chicago, Ill.	36.40	51.25	64.30	55.00
Chicago, Ill. to—				
St. Louis, Mo.	11.05	13.50	19.55	19.50
Kansas City, Mo.	18.75	17.00	33.20	32.50
Milwaukee, Wis.	3.70	4.00	6.55	6.25
Minneapolis, Minn.	13.25	17.50	23.45	32.50
Detroit, Mich.	12.70	16.25	22.45	20.50
Cincinnati, Ohio	13.80	17.00	24.40	20.50
New Orleans, La.	31.90	45.00	56.40	54.00
New Orleans, La. to Memphis, Tenn.	18.75	19.00	33.20	30.00
Los Angeles, Calif. to—				
San Diego, Calif.	4.63	4.75	7.48	9.00
San Francisco, Calif.	13.56	21.00	21.72	26.50
Phoenix, Ariz.	15.95	19.25	28.25	33.00
Seattle, Wash.	38.50	57.25	68.20	80.00
Seattle, Wash. to Portland, Oreg.	5.40	6.75	9.60	11.75

Sources: Bus and Amtrak tariffs.

TABLE II.—A COMPARISON OF TYPICAL INTERCITY BUS AND AMTRAK ROUND TRIP AND EXCURSION FARES,¹ FEBRUARY 1972 AND 1978

	Feb. 16, 1972		Feb. 10, 1978	
	Bus	Amtrak	Bus	Amtrak
New York, N.Y. to—				
Boston, Mass.	\$19.90	\$19.80	\$19.00	\$20.00
Philadelphia, Pa.	9.25	10.50	17.90	14.00
Washington, D.C.	21.30	26.00	39.85	31.00
Pittsburgh, Pa.	36.30	50.50	64.35	38.00
Miami, Fla.	86.55	96.68	99.00	87.00
Buffalo, N.Y.	36.90	45.50	58.85	46.00
Chicago, Ill.	69.20	102.50	80.00	61.00
Chicago, Ill. to—				
St. Louis, Mo.	21.00	27.00	37.15	29.50
Kansas City, Mo.	35.65	34.00	63.10	65.00
Milwaukee, Wis.	7.05	7.90	11.50	12.50
Minneapolis, Minn.	25.20	35.00	44.60	49.00
Detroit, Mich.	24.15	32.50	42.70	31.00
Cincinnati, Ohio.	26.25	34.00	46.40	31.00
New Orleans, La.	60.65	68.00	88.00	64.00
New Orleans, La. to Memphis, Tenn.	35.65	29.00	63.10	40.00
Los Angeles, Calif. to—				
San Diego, Calif.	7.85	9.50	14.21	14.50
San Francisco, Calif.	24.41	32.00	41.27	53.0
Phoenix, Ariz.	30.35	38.50	53.70	66.00
Seattle, Wash.	73.15	114.50	110.00	129.00
Seattle, Wash. to Portland, Oreg.	8.30	8.95	18.25	18.00
				0

¹ The lower of round trip or excursion fare.

Sources: Bus and Amtrak tariffs.

TABLE III.—COMPARISON OF AVERAGE FARES IN REPRESENTATIVE MARKETS—AMTRAK AND INTERCITY BUSES, FEBRUARY 1972 AND FEBRUARY 1978

	Bus	Amtrak	Percent Amtrak greater than bus
Average 1-way fare			
1972.....	\$17.78	\$22.38	+25.9
1978.....	\$31.39	\$31.73	+1.1
Percent increase.....	76.5	42.0	
Average round trip or excursion fare			
1972.....	\$32.95	\$41.12	+24.8
1978.....	\$50.65	\$44.98	-11.2
Percent increase.....	53.7	9.4	

Source: Tables I and II.

In recent years both the bus industry and Amtrak have experimented with reduced excursion fares. The bus industry has moved to reduce rates during the winter period in the very long haul markets where it did not carry a substantial volume of business. On the other hand, Amtrak concentrated its reductions in the short haul markets in the northeast part of the country in an area in which it is highly competitive with the bus industry.

In the Northeast Corridor, Amtrak has priced certain round trip excursion fares at a price 50 cents greater than the one-way fares. On certain routes between New York and Chicago it has priced round trip excursion fares at \$5 above the one-way fare. The bus companies have not met these fare cuts in all instances, and as a result Amtrak's round trip and excursion fares in these markets are now lower, on an average, than fares charged by the bus.

Table III compares the average fares in effect in these markets in 1972 for both the bus industry and Amtrak and the average rates which are now in effect today. In 1972 Amtrak's lowest round trip or excursion fare in these markets averaged 24.8 percent above those of the bus industry. Since that date,

the average of these fares charged by the bus industry has risen 53.7 percent while the corresponding fares for Amtrak have risen only 9.4 percent. *Amtrak now charges 11.2 percent less in these markets for its lowest round trip or excursion fares than does the bus industry.*

Amtrak has justified this pricing strategy as being required to divert auto traffic to its services. The very slow rate of growth of Amtrak's traffic indicates that this market strategy has failed. In my experience I have seen little evidence that would indicate that price is of major consideration in the decision of an individual either to take his car or alternatively to take any common carrier mode of transportation. The only diversion of business to Amtrak that has occurred because of its pricing policies has been diversion of traffic from its common carrier competitors, principally from the intercity bus industry.

I do not think that this was the intent of Congress when it established Amtrak and gave it its pricing freedom. I do not know of any other government subsidy program which is being subverted in this manner. The utilization of Treasury dollars to support these predatory marketing policies is not only unconscionable, but should be illegal. If the American Telephone and Telegraph Company were to price any of its services so clearly below its costs in order to divert business from its competitors, I am sure you could take it to Court and stop it. You might even be able to put some of the senior officers in jail.

I am sure that in very large part Amtrak's steadily rising need for subsidy reflects these pricing strategies. In 1972 Amtrak recovered 52 percent of its costs of operation from commercial revenues. In 1977 this had dropped to 36 percent. This drop occurred because of management decisions to lower fares against its common carrier competitors and was not due to events over which management had no control.

I am completely convinced that if Amtrak's management practices and marketing philosophies were changed that it would move a long way in reducing its need for subsidy and even perhaps someday become as profitable as its competitors. At least it should be forced to try to accomplish that objective. Its rate freedom should be used to maximize its revenues rather than merely to gain competitive advantage in ridership. While I believe the basic demand for intercity rail services is rather small—a splinter market at best, I am convinced that one exists. I think it will support a reasonable number of the trains that are operating today, particularly those in the more important corridors. I believe that the demand is such that the rail passenger will, by and large, pay the costs for the rail service he gets. And, I believe that national transportation policy should see that he pays for his transportation when traveling by train just as he does when he travels by bus or airline.

While it may turn out that even under a very aggressive profit oriented management that Amtrak may never become fully profitable, that still is no reason for abandoning the profit goal. With the goal in existence there is a very legitimate pressure on Amtrak to increase its commercial revenues and to reduce its subsidy to the maximum extent feasible. As I stated earlier, in 1972 Amtrak covered 52 percent of its passenger expenses by the prices it charged. That has fallen to 36 percent today. There is no reason we cannot reverse the present downward trend, return to the level of 1972 and ultimately expect Amtrak to cover at least 75 percent of its operating costs from the fares it charges. At that time it might even become apparent that with a little more imagination and effort that Amtrak might be able to achieve full operational profitability. To abandon the profit goal today merely because we have not charged Amtrak with that goal in the past will create a condition leading to ever mounting subsidies.

Mr. Chairman, in the directive to the Secretary to reexamine Amtrak's routes, he is asked to develop a route structure "which will provide an optimal intercity railroad passenger system based upon current and future market and population requirements." He is also to consider "any unique characteristics and advantages of rail service as compared to other modes of transportation, and the relationship of the benefits of given services to the costs of providing such services." This study is to be completed by May 1, 1978 and is currently being conducted by the Federal Railroad Administration in response to an earlier request from Congress.

Based on the work done by the Federal Railroad Administration in its analysis of the environmental impact of the Northeast Corridor Project issued in draft form last August, I seriously doubt whether as an organization, it can

make balanced recommendations on these matters. Our analysis showed that the report contained several assumptions which were not borne out by readily available facts and were contrary to existing economic and social trends. Furthermore, these assumptions ran to the very heart of the issues involved and a correction of them to reflect current facts would result in an invalidation of the entire project.

I am submitting a copy of our reply to the Draft Statement and will only summarize briefly the report in my oral testimony.

1. The projections of traffic volumes to be accommodated through 1990 was based, among other things, on an increase of population in the Corridor of 23 percent from 1975 to 1990.

Actual population in the Corridor has been trending down for many years and the Bureau of Census has forecast currently that it will continue down. There is nothing on the horizon which will reverse that downward trend by 1990. Thus, population in the Corridor will be down from 1975 to 1990 rather than up 23 percent.

2. The traffic forecast assumes there will be a sharp increase in per capita travel in the Corridor between 1975 and 1990.

Actually the trend in total common carrier traffic in the Corridor has been down since 1970 and automobile traffic has increased only modestly. It is more likely that total traffic, including automobile, will be down between 1975 and 1990 than that it will rise sharply. With neither population nor per capita travel up significantly, the expanded Amtrak services visualized in the Northeast Corridor project are not necessary.

3. The report assumes that Amtrak will cut fares ten percent north of New York and 19 percent south and that this coupled with slightly shorter elapsed times will result in a diversion to Amtrak of one out of eight potential automobile passengers.

There is no study of United States travel habits which will support that conclusion. It is commonly accepted that the marriage of the American consumer to his car is on very firm grounds, and that only with an actual shortage of fuel will there be a significant diversion of automobile traffic to any common carrier means of travel.

4. On the other hand, it is clear that faster speeds and lower fares will divert traffic from the bus and the airplane to Amtrak, particularly in the Northeast Corridor.

The Draft Environmental Impact Statement itself, shows a diversion from the intercity bus of 28.4 percent by 1990 and makes no attempt to determine what impact that will have on profitability of bus service in the Corridor and its ultimate effect on bus service. Actually, the Northeast Corridor improvement program will have a much greater adverse impact on the bus industry than forecast in the report and has the potential for the complete elimination of paralleling operations.

5. The project is also justified on the basis that Amtrak must be expanded to relieve the congestion on highway facilities in the Corridor although the report recognizes that even if one out of eight intercity passengers are diverted to Amtrak that the improvement in congestion would be minimal.

6. The report understates and then ignores the impact on Conrail of the development of high speed services in the Corridor.

It does state that tight operational control of Conrail freight movements would be necessary, but passes that negative impact off by stating, "Faced with these capital and operating costs, Conrail might find it cost-effective to make investments in alternate routes and remove freight traffic from the Corridor wherever possible."

7. The Impact Statement projects an improvement in energy consumption of 0.6 percent, a minimal figure by any calculation.

However, even that improvement is false. Actually energy consumption would increase significantly. This very modest savings figure is predicated on a load factor for Amtrak of 61 percent. This compares to a load factor of 37 percent for the "base" period selected. There is no possible way that Amtrak can achieve a load factor approaching 61 percent under normal traffic conditions, particularly when it is programming 1990 operations with 390 passenger trains. Thus, the FRA analysts have likely understated Amtrak's energy consumption by one-third. This would result in a significant increase in total energy consumption, not taking into consideration the possibility of an even greater diversion from the fuel efficient bus than has been forecast.

8. The report misrepresents the improvement in operational efficiency the project will bring about. It shows a sharp decline in subsidy needs.

This, however, is predicated on holding 1990 costs to current inflation levels yet calculating the loss on a unit basis based on the forecast volume of traffic in 1990. Amtrak's five-year plan is not nearly so sanguine in its projections of costs in 1982 as is FRA's forecast of profitability of Amtrak in 1990. Inflation of costs is a factor that must be taken into consideration in forecasting Amtrak's future losses.

The FRA document has presented a biased analysis of the factors affecting Amtrak's traffic, costs and volume of business and has treated rather cavalier the fundamental issues facing other common carrier modes of travel. If its analysis of Amtrak's routes due out May 1 is not significantly more candid as to the factors affecting profitability, we will not be getting much of an improvement over the disaster that Amtrak represents today.

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STATEMENT OF AMERICAN BUS ASSOCIATION

This statement is filed by the American Bus Association with the Federal Railroad Administration following review of the Draft Programmatic Environmental Impact Statement on the Northeast Corridor Improvement Project. Number FRA-RNC-EIS-77-01-D, dated August 15, 1977.

The American Bus Association is the national organization of the intercity bus industry. Collectively the 400 operator members of the Association provide more than 90 percent of the intercity bus transportation in the United States. Many of its members compete directly with Amtrak service in the Northeast Corridor, and have a vital interest in a balanced transportation plan for the corridor.

The Association finds that the report contains several assumptions which are not borne out by the facts and are contrary to existing economic and social trends. The Association further believes that correcting these assumptions to reflect current facts and trends which are now very much in evidence will invalidate the Draft Environmental Impact Statement on the Northeast Corridor Improvement Project.

The following analysis is provided.

I. The traffic forecast is predicated on a growth of 23% in the population of the northeast corridor area by 1990. It also assumes a sharp increase in trips per capita (with no justification shown) and the forecast shows 131.3 million intercity person trips in 1990, an increase of 66% over 1975. This projection ignores the fact that the northeast corridor area has had no growth in population since 1970 and that economic trends in the northeast are such that there is little likelihood there will be any increase in population by 1990. In fact, the Bureau of Census report which is summarized in the October 24, 1977 edition of *Sales and Marketing Management* projects a decline of 0.4% in major metropolitan areas transversed by the northeast corridor rail passenger system in the period 1976-1981.

Accompanying the decline in population growth in the northeast has been a significant slowing down in the growth rate of the labor force in the northeast. Between 1970-1975, the labor force grew at a rate of 2.2% while the national labor force grew 15.7%. Manufacturing employment has been declining for some time. From 1960 to 1975 manufacturing employment dropped 9% in New England and 15.7% in the mid-east states of New York, New Jersey and Pennsylvania.

These population and employment trends are caused by a well publicized, long-term shift of people and jobs from the northeast to the sun belt. This is confirmed on page 2 of the Bureau of Census Report *Population and Estimated Projection which states*, "Migrants are leaving the larger and older urban centers in the central regions and moving to metropolitan areas in the south and west."

The assumption that traffic per capita in the northeast corridor will increase significantly is not borne out by the trend in traffic volume in this decade. The Impact Statement states that combined Amtrak and airline traffic in the corridor has not yet increased since 1969. Actually it is down. Bus traffic in paralleling operations between Boston and Washington is also down, having declined 26% in passenger miles from 1971 to 1976. Thus, total common carrier

travel between corridor cities is down at least since the beginning of this decade and probably from an even earlier date. We do not have completed data on intercity auto travel in the corridor, but there is reason to believe that the trend in intercity auto travel is either flat or increasing at the rate of only 1.5%-2.5% per year.

Thus, there is no basis whatsoever for the presumption that there will be any increase in the volume of common carrier traffic in the corridor between 1975 and 1990, and only a very modest increase in total intercity traffic, if any increase at all.

The current situation is reminiscent of the thousands of school buildings that were built in the late 1960's and early 1970's whose justification was predicated on population trends of the early 1960's. With the sharp decline in the rate of growth of population since then, the vast majority of these buildings are not needed now and may not be needed at all, at least in this century.

Yet, the basic underlying justification for the NECIP is the necessity to accommodate an enormous increase in traffic volume in this area.

II. A related justification for the project is largely predicated on the assumption that Amtrak will be able to divert 12.8% of the then existing automobile traffic to rail service. This is done by a statistical technique that assumes that the passenger will convert all time factors involved in a trip "into a cost factor based on his value of time attribute, and then selects that mode which minimizes the total trip cost * * * mode splits are determined by calculating what proportion of travelers utilize each available intercity mode."

That technique assumes a pure economic rationale in a person's selection of Amtrak vs. the automobile. We doubt this has credibility with any responsible transportation analyst. We do not believe there is any historic study which can prove that a person makes a selection between the use of his car or any common carrier on the basis of pure time and cost factors, center city to center city.

The report assumes that a reduction in elapsed time from three hours to two hours and forty minutes between Washington and New York and from four hours and thirty minutes to three hours and forty minutes will be meaningful in improving the competitive relationship of Amtrak to the car. This assumption puts too much emphasis on elapsed time as a competitive factor, particularly when it ignores the fact that the vast bulk of corridor traffic is not between the terminals of New York, Boston and Washington, but between these cities and the intermediate cities between them and between the intermediate cities themselves. Time savings on these shorter segments would be only a fraction of the total time saved from terminal to terminal. Again, there is no statistical basis to assume that such marginal changes in elapsed time would cause the driver to get out of his car and into Amtrak. Yet the environmental impact statement assumes one out of eight potential automobile travelers would divert to the bus because of the project.

On the other hand, there is a good reason to presume that an increase in the quality of service for one common carrier would have an effect on its competitive position with another common carrier and particularly in relation to the competitive position of the bus with Amtrak. There is good reason to believe that Amtrak has already diverted a significant amount of traffic from the bus industry on the corridor. From 1971 to 1976 bus traffic carried in the corridor by corridor operators declined 26%, whereas regular route traffic elsewhere in the country declined only 11%. With the improvement contemplated in speed, frequency of service and more commodious trains the common carrier bus industry can expect an acceleration in the diversion of its traffic to Amtrak by 1990. This could easily result in diverting much more bus traffic to Amtrak than the 28.4% forecast in the study. The diversion could easily be twice this volume or more with an eventual destruction of the bus industry in the corridor. This is particularly true if Amtrak follows the pricing policy advocated in the study of cutting fares south of New York by 19% and north by 10%. With this pricing policy, sheer catastrophe could occur to the bus industry.

III. The corridor project also is justified on the basis that Amtrak must be expanded to relieve the congestion on the highway facilities in the corridor, although the report recognizes that the diversion from the automobile would affect this problem only in the most minimal manner.

This is borne out by the graph on page 214 of the Impact Statement which shows the level of automobile traffic on the corridor broken down between local traffic and intercity traffic. It shows very clearly the fact recognized by the

report that "the problem of providing intercity highway service is not one of inadequacy in the link between suburban areas." The table shows that local traffic on adjacent highways in the New York metropolitan area is approximately twenty times the volume of intercity passenger traffic. In Philadelphia the local traffic on adjacent highways is 7 to 8 times the volume of the intercity traffic and in Boston, it is approximately ten times.

The bottlenecks in the corridor are caused by local traffic and those bottlenecks will have to be *cured in order to accommodate local traffic*. A diversion of 12.8% (one out of 8) of something which is only 5% of the volume of local traffic in and around New York is not going to have any effect on New York's problems and the need to cure them. A similar conclusion can be reached regarding Philadelphia and Boston.

IV. The report states that Conrail will encounter substantial capital costs to make its motive power compatible with the electrical system to be installed in the northeast corridor. Costs are estimated to be \$20 million.

The report states that the source of funds would be those already provided by the 4R Act. Conrail, however, estimates the capital costs for motive power conversion because of the project to be a minimum of \$75 million. It is surprising that FRA, at the time of issuance of this report, did not then know that Conrail is going to require more federal funding than is provided by the 4R Act. This \$75 million funding would not only involve funds not now authorized but would be a significant burden for Conrail, itself a private enterprise company, and one that *must* be treated like a private enterprise company in governmental relations with it.

The report recognizes that the northeast corridor is one of the most complex rail systems in the country and one of the most congested, particularly between Philadelphia and New Haven. It also recognizes that the facility between Washington and Philadelphia is a two-track system and is inadequate. An expanded Amtrak as forecast in the project will ultimately force utilization of a parallel Chessie line or the installation of a third track. Either course of action will require a large amount of money not dealt with in the Impact Statement.

The NEC project assumes a priority of Amtrak intercity operations over all others, particularly over freight operations in the corridor. This could have significant adverse impact not only on Conrail's economic results, but might be a factor which could result in stimulating further the migration of industry out of the corridor. The report states that, "A number of controls must be placed on freight operations. Among the more probable controls are: limitations on train length; elimination of freight entry during peak passenger traffic hours; elimination of makeup or switching movement utilizing high speed track; and requirement of continuous movement for all access and egress to and from high speed tracks."

It is difficult to evaluate the day in and day out negative impact this would have on Conrail's cost and operations, but it cannot be ignored.

It would be significant. However, it is passed off in the report by the statement that, "Faced with these capital and operating costs, Conrail might find it cost-effective to make investments in alternate routes and remove freight traffic from the corridor wherever possible." By this statement the report ignores a major impact of the project and passes it off backhandedly with the statement, "The implementation of any major freight diversion routes will, then, be based on judgment of Conrail's management and the availability of funding."

V. The effect on air quality will be adverse, not minimally improved by the corridor project. If the traffic volume as forecast in the corridor project does not materialize or if Amtrak does not succeed in diverting to itself 12.8% of the automobile traffic, the improvement in air quality standards which are forecast could not occur. By diverting traffic from the bus, the program would actually impair air quality standards.

The Impact Statement candidly admits that the project "will increase the localized emission from regional power plants due to increased electrical consumption." Many of these generating plants are located in heavily polluted urban areas.

VI. The Environmental Impact Statement says that by 1990, with operations at full patronage levels, (whatever that means) the project will reduce the total energy consumption for intercity passenger transportation in the northeast corridor by 0.6%

But this is predicated on a 61% load factor in regular operations and this is an impossibility. As shown in the Impact Statement, Amtrak operated in the base period at a load factor of 37%. While it may improve modestly from this level utilizing 390 passenger trains, such improvement in the load factor would be minimal at best. If Amtrak did not increase its load factor from the base period it would have to increase seat miles by 65% and this would likely require an increase in train mileage approaching 50%.

With a forecast energy reduction for the NEC area of only 0.6% there is no way Amtrak could increase train miles by a factor approaching 50% and not cause a significant increase of total fuel consumption in the northeast corridor.

The report assumes that by Amtrak going 100% to electrical power and by diverting auto traffic to it that a reduction can be made in consumption of petroleum products in the corridor. However, to achieve the goal by 1990, the report assumes that 40.7% of the electric power generated in the northeast in that year would come from nuclear power. That compares to a figure of about 1% today and completely ignores the fact that at the present time a 12-14 year period is required to bring a new nuclear project into production. There is no analysis as to how such a capacity could conceivably be brought on stream.

Alternatively the report assumes that a significant amount of electrical power can be generated by a conversion of east coast oilfired power plants to coal. This ignores the problem of converting oil using utilities to coal which have never before used coal. Thus, the Impact Statement is wrong in its forecast of reduction of energy consumption and it is wrong in its forecast of the rate at which it will save petroleum fuel.

VII. The forecast of operating results set forth on pages 33 to 37 are misleading. The report states that there will be a dramatic improvement of productivity of public investment in operation of rail passenger services in the corridor with the deficit per revenue passenger mile declining from \$4c in 1976 to 1.0c or 2.5c in 1990. The report states "In conclusion, it appears that not only will the NECIP reduce the total Amtrak operating deficit for NEC service, but the deficit on a passenger mile basis will be reduced by at least 70% in 1990." The figures quoted above of \$4c is the deficit in 1976 stated in 1976 dollars. The deficit in 1990 is also predicated upon 1976 dollars, but the deficit calculated on a unit basis is predicated on the volume of traffic in 1990. The implication from the statement is that there will be improved operating efficiencies which will reduce the loss on the service. And this is not the case. Actually, this improvement comes only with a rather cavalier treatment of the problem of inflation and is a misrepresentation of the facts.

Predicated on 1976 dollars, the estimated cost of operation in 1990 is shown to be a range of \$300 million to \$350 million. In its 5-year plan Amtrak forecasts operating costs to be in that range as early as 1982 (\$332 million). Furthermore, the implication in the report that Amtrak's overhead would drop considerably during this period is not borne out by the forecast shown in Amtrak's five-year plan. In 1982 its five-year plan shows an operating ratio of approximately 200% in the corridor and this is about the same ratio that existed in 1976. 1982 is six years later than 1976 and it is only eight years to 1990.

Furthermore, Amtrak's operating costs are predicated on the load factor of 61% which, as noted above, is an unreal projection. The best one could expect is a modest improvement in load factor with the 390 passenger trains utilized. If no improvement is obtained over the base period shown in the Impact Statement, train miles operated would be about 50% greater than the miles on which the 1990 cost line was projected. Costs would obviously be much greater than forecast and the deficit astronomical.

The deficit in the corridor projected in Amtrak's five-year plan for 1982 is \$153 million and preliminary analysis of the five-year plan shows this to be quite optimistic. This is up 65% from the operating deficit in 1977. There is little or no reason to assume that the full operating deficit by 1990 will not increase by another 65% at least. This would indicate a deficit in the corridor operation of \$250 million alone not counting any allocation of corporate overhead.

In addition, in order to evaluate the program and its economic consequences to the nation, the corridor improvement costs of \$1.9 billion should be amortized over a reasonable period of time. Over a period of 20 years, amortization costs would average another \$95 million.

Similarly, treating the cost of capital employed in the project, the interest costs to the government of 8½% on the embedded capital involved in the

project would increase the total annual cost of the project to our society by another \$85 million or so.

Thus, properly anticipating the operating losses of about \$250 million per year, adding to that a normal write-off of investment costs of about \$95 million and adding also a charge for capital used of about \$85 million per year, results in a basic ongoing annual cost attributable to this project of about \$500 million per year.

This is an enormous expenditure of funds for what will constitute a very marginal improvement in service to the public, one which will actually result in a degradation of the environment, will use more energy than will be consumed otherwise and will likely destroy a competing common carrier which is much more energy efficient and environmentally compatible.

Mr. Russo. Mr. Snyder testified that Amtrak is successful in ridership with an increase of 54 percent in 7 years. Do you think Amtrak is a success in the increase in ridership and that translates an increase in passenger-miles?

Mr. Lewis. Well, I would classify that rather differently, Mr. Chairman. After an expenditure of about \$3.5 billion Amtrak's passenger-miles have risen from 2.76 billion to—well, that figure is difficult for me to say. Amtrak issues a variety of different figures indicating what its traffic volumes are today, and through 1975, you could reconcile Amtrak's passengers, or passenger-miles carried by each of its major routes, with the total that it stated that it carried.

Beginning in 1976, two figures became available, one which added up to the traffic on each of the routes and one somewhat higher figure, and we have not been able to determine what that is. In 1977, the difference in those figures was rather significant.

According to the ICC reports filed with the ICC which totals up the passenger-miles by segment, Amtrak carried 3,773 million passenger-miles, and this was an increase of 35.9 percent in that period of time, from 1972. The figure which cannot be corroborated which has been issued by Amtrak and which, I think, Mr. Snyder referred to, was 4,330 million and that shows a 56-percent increase over 1972.

Mr. Russo. You do not mean dollars?

Mr. Lewis. Passenger-miles. I think Amtrak should be called upon to verify those figures. I do not know why they are not the same. Perhaps the higher figure includes nonrevenue passengers. Amtrak passes these figures off without any attempt to reconcile them, and they are rather significant in their differences.

As far as to how big that is, in 1972 the passenger-miles carried by Amtrak was less than 0.3, less than 0.3 of 1 percent of the total intercity passenger-miles in the country today. In 1977, it is still less than 0.3 of 1 percent of passenger-miles in the United States today by intercity automobile and bus and by train.

Mr. Russo. Is that a result of other people using other modes?

Mr. Lewis. It means Amtrak has not made a big penetration in the marketplace, although the Government has spent a substantial sum of money in supporting the business. I think you would have to say that that has been a failure. The principal problem that it represents to us, however, is that more probably in the corridor between Boston and Washington than anyplace else, in that market in 1971 through 1976, intercity bus traffic between Boston and Washington on routes paralleling the corridor declined 25 percent. On routes throughout the rest of the country, intercity bus traffic during that period, it declined 9.2 percent.

Mr. Russo. These studies that you are reading from, I see that you are reading from documents. Are these included in your testimony?

Mr. LEWIS. No, they are not. I can submit them for the record.

Mr. Russo. I would appreciate it if you would make them a part of the record. We will leave the record open for you to submit them.

Mr. LEWIS. Thank you, and I will submit that. But it shows that the passenger-miles in the corridor paralleling operations are down 26 percent from 1971 to 1976. Other parts of the country is 9.

Mr. Russo. Will you comment on the energy efficiency conflict we have been hearing with regard to the trains, cars and buses?

Mr. LEWIS. Yes, sir.

Mr. Chairman, there are very many different ways of calculating energy efficiency, as Mr. Snyder stated today. One is to take a look at the actual consumption of fuel and electricity and calculate the number of passenger-miles carried per gallon of fuel consumed.

This last year, for example, in 1976, the last year we have the figures, the intercity bus industry carried 116 passenger-miles per gallon of diesel fuel consumed. Amtrak carried 55 passenger-miles per gallon of diesel fuel used. If you convert the electricity used in the Northeast corridor between here and New Haven into diesel fuel consumed to produce that electricity, the actual average dropped to 45, significantly less.

I think the figure Mr. Snyder is talking about, it is one I saw quoted by Amtrak awhile back that assumed a very large train, I believe on the order of 400-seat, traveling mile post to mile post at its optimum cruising speed, and its fuel efficiency was reflected at a very high level.

Mr. Russo. Those figures you just gave us about the 54 passenger-miles per gallon—

Mr. LEWIS. Yes, sir.

Mr. Russo. Is that documented?

Mr. LEWIS. Yes, sir. I can give that to you. I do not have it in my statement. I can give it to you.

Mr. Russo. All right.

Let me ask you this. Should not the bus companies and Amtrak be required to establish joint terminals?

Mr. LEWIS. We have indicated our willingness to do that, Mr. Chairman, and have stated that we were willing to file joint tariffs with Amtrak, even though I think it would hurt the bus industry. We have one problem in the sense when we connect passengers to Amtrak and Amtrak can carry them to a further destination at prices competitive with the bus industry, although their costs are substantially greater than the bus industry, it causes a diversion of our potential traffic to the railroad, this is not valid competition in the marketplace.

There is no question that the bus is the cheapest way to get between two places, but there is also no question that it offers less than Amtrak does to the passenger. The average bus has about 41½ square feet of space per passenger. That contrasts to a high density train of 121½ square feet per passenger.

We are limited to 55 miles an hour on the highways where, in a large number of tracks throughout the system, particularly the

Northeast corridor, the train speeds are much higher than that, reaching up to well in excess of 100 miles an hour in the corridor. We cannot compete with the modern quality of trains, head to head with trains charging for their operation only one-third of their costs and equal to the rates that we charge.

So we have a problem unless Amtrak were forced to charge rates equal to its costs. If they charged rates equal or approximate, we would be quite happy to share with them the movement of traffic, just as we do with the airlines.

Mr. Russo. You think that profitability should be a keynote in this legislation?

Mr. LEWIS. Yes, sir.

Mr. Russo. Let me ask you one more question. When you talk about 0.3 of 1 percent passenger-miles, is that intercity miles?

Mr. LEWIS. Just intercity. It is automobile, air, bus and train.

Mr. Russo. Even though they have gone up from 2.776 billion to 3.773 billion, it represents basically 0.3 of 1 percent?

Mr. LEWIS. Yes, sir.

Mr. Russo Mr. Rooney?

Mr. ROONEY. Thank you very much, Mr. Chairman.

Mr. Lewis, I fail to understand your response to the chairman's question regarding joint terminal facilities. You said, by having joint terminal facilities, Amtrak will take away the bus passengers?

Mr. LEWIS. We are concerned that as long as Amtrak prices itself below the bus level of rates, that it creates a difficult competitive environment for us. We recognize that it is in the public interest to integrate services, and we are willing to move into intermodal terminals and the industry has made that decision. But we still find that it is a difficult problem for us when we connect passengers to competitive destinations with Amtrak.

Mr. ROONEY. Give me an example of that.

Mr. LEWIS. If we take a person from Waco, Texas, to Dallas, and put him on Amtrak to Chicago at a joint terminal in Dallas, it would provide a problem for us. On the other hand, if you bring a passenger from Dallas—

Mr. ROONEY. Amtrak does not provide service from Waco.

Mr. LEWIS. I do not know what the train services are. The point that I want to make, if Amtrak were to charge rates that were somewhere approaching their cost of operation, then we could work much more closely with them in intermodal terminals. If we lose a connecting passenger to Amtrak because he is willing to pay a higher rate to get a better quality of service, that is simply a fact of life we have to deal with.

But when we connect somebody and he is put on a better quality service, faster service, more commodious and is charged the rates that we charge by virtue of Government subsidy, then it becomes an unnatural diversion of our potential.

What you are seeing here is a public policy that should be developed by an integration of forms of service transportation being frustrated by Government policy. It becomes very expensive for us to do that.

The industry has made a decision that it will go forward with intermodal terminals, but it is costly for the industry.

Mr. RUSSO. What the gentleman is saying is that you do not mind sharing facilities with them, if it is the same rules, under the same roof.

Mr. LEWIS. That is right. If we lose business playing under those rules, that is the name of the game, yes. It is in competition so heavily supported by the Government that we find difficult.

Mr. RUSSO. Are there any further questions?

Mr. ROONEY. I know that you mentioned that Amtrak is subsidized by the Federal Government. Are you implying that the bus companies are not subsidized?

Mr. LEWIS. No, sir, we are not subsidized. While we use Federal highways, we pay taxes, which, according to studies made by the Department of Transportation, show that we contribute 25 percent more than our proportionate impact costs on the highways. So we are at least one user, through its taxes, which pays proportionately more than the Department of Transportation says we should pay, in effect, based upon the equivalent use.

Mr. ROONEY. If the gentleman would yield for one more question, what impact will Amtrak have on the bus industry in the next 5 years?

Mr. LEWIS. If the plan proposed by Amtrak is carried out, which is a combination of significant increases in frequency and speeds in certain corridors coupled with an employment of very modern trains throughout the rest of the system, the impact can be very serious on the bus industry and I really do not know how to evaluate it except to say that it will be very serious.

When you have a loss of 25 percent for the last 6 years, 1971 through 1976, in traffic in the corridor and project an intensification of that in the next 5, then other corridors as well, the New York corridor, I think you can see very serious adverse effects.

Mr. ROONEY. Thank you very much. We would appreciate your making those documents available for the record.

Our next witness is Mr. Thomas Crikelair, assistant director, National Association of Railroad Passengers who is replacing Mr. Ross Capon.

STATEMENT OF THOMAS G. CRICELAIR, ASSISTANT DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. CRICELAIR. Mr. Capon expresses his regrets that he could not be here.

Mr. ROONEY. Mr. Capon has been before this committee on several occasions. Please extend to Mr. and Mrs. Capon the best wishes of the committee on the birth of their daughter.

Mr. CRICELAIR. I will summarize my statement, with your permission. Due to the lateness of the hour, I will be as brief as possible.

Mr. Chairman, my name is Tom Crikelair. I am assistant director of the National Association of Railroad Passengers. We appreciate very much the opportunity to participate in this hearing.

Mr. Chairman, I would like to take just a few minutes to discuss what I think is the rock-bottom basic issue before this committee and before the Congress as a whole regarding the future of Amtrak.

It is a question that goes right to the heart not only of the Amtrak issue, but of the very workings of our political system.

If the taxpayers of this country decide that they want something, and if the taxpayers decide that they want their tax dollars spent so that they get it, to what extent do public officials, both elected and appointed, have the responsibility to alter their spending policies to see to it that the services and facilities in question are provided?

People have criticized the policies of Amtrak. In our view, the politics of Amtrak is an example of representational democracy working at its best. Instead of silent, behind-the-scenes, big spending corporate interests, we have with Amtrak an example of an up front, straightforward mandate direct from the public to their elected officials.

Voters send their elected representatives to Washington, and they send their tax dollars to Washington. Is one to cry "Outrage" when they expect publicly financed facilities and services to result?

We have insisted in the past that the public wants and expects intercity passenger trains to operate, that they want continued service and increased frequencies of service. The public opinion survey released on March 14 by Louis Harris and Associates, Inc., substantiates and underscores our claims.

According to the Harris survey, the public wants better rail passenger service and more rail passenger service. Eighty-two percent of the American public wants the government to either continue or increase the present level of Federal spending to improve the quality and availability of rail passenger travel on trips 300 miles or more one way. Fifty percent want that spending to increase.

In a list of nine proposed transportation improvements, improved intercity rail transportation ranked third behind only auto safety and better commuter mass transit. New highways, new airports, and faster airplanes were at the bottom of the list.

When pollster Lou Harris was asked if he could account for the disparity between the numbers of people who want rail passenger service and the numbers of people who actually use the service, he immediately pointed to the limited levels of service that are now available. The public's attitude toward rail passenger service, he said, reminds him of the public's attitude toward the Nation's airport system before the system was developed. Passengers were not flying, but indicated that they would—if the facilities and services were provided.

Mr. Chairman, we believe that the Government has a clear responsibility to preserve and improve rail passenger service. The government in the past has invested public funds to build the best highway and air traffic systems in the world. We can afford to do the same for the railroads, including rail passenger service.

The balance of my statement is devoted to comments on specific sections of the two bills available when this statement was written: S. 2478—which we understand is largely similar to a bill introduced by Mr. Staggers—and H.R. 11089.

I will just move to the end of the statement, and I would like to discuss briefly the item of Amtraks' capital budget.

Regarding capital improvements, we very strongly support the provision in Mr. Staggers' bill that would provide the full \$341 million requested by Amtrak. Rail passenger service would be in much better shape today if capital budgets had not been whittled back consistently in previous years.

Mr. Chairman, I think the capital funding problem deserves special attention.

Last fall, we provided the committee with some data indicating that last August during 1 week, Amtrak turned away over 2,000 requests for travel on the San Francisco Zephyr that operates between Chicago and the bay area. We were a little surprised then when we later got a look at the ridership totals for last August, because we discovered that ridership for August in 1977 went down 12 percent when compared with August 1976.

How is it that ridership could go down at a time when the train has been consistently sold out?

Well, we found that Amtrak was putting fewer cars on the train in 1977. The year before last, the average number of cars on this train was 17 cars. Last year, the average was down to 14.

During the same week in August—this was the second week in August last year—Amtrak turned down over 30,000 requests for coach seats on the trains that run between New York, Philadelphia, and Florida. Yet the administration wants to defer, once again, acquisition of new cars for these trains.

It seems to me that if we want the system to serve more people and if we want to see significant revenue growth to offset the overhead cost of operating the system, then we have got to spend the capital money now to see to it that the equipment is available to move the people who want to go by train.

That concludes my statement, Mr. Chairman. If you have any questions, I will do my best to answer them.

[Mr. Crikelair prepared statement follows:]

STATEMENT OF THOMAS G. CRICELAIR, ASSISTANT DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. Chairman. My name is Thomns G. Crikelair. I am assistant director of the Nationnl Association of Railroad Passengers, a non-profit, consumer-oriented organization, supported entirely by membership dues and contributions. We receive no financial support from the government, the railroad companies, Amtrak, or the railrond labor unions. We appreciate very much the opportunity to participate in this hearing.

Mr. Chairman, I would like to take just a few minutes to discuss what I think is the rock-bottom basic issue before this Committee and before the Congress as a whole regarding the future of Amtrak. It's a question thnt goes right to the heart not only of the Amtrak issue, but of the very workings of our political system:

If the tnnpayers of this country decide that they want something, and if the tnnpayers decide that they want their tax dollars spent so thnt they get it, to what extent do public officials, both elected and appointed, have the responsibility to alter their spending policies to see to it that the services and facilities in question are provided?

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In a list of nine proposed transportation improvements, improved intercity rail transportation ranked third behind only auto safety and better commuter mass transit. New highways, new airports, and faster airplanes were at the bottom of the list.

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Mr. Chairman, we believe that the Government has a clear responsibility to preserve and improve rail passenger service. The Government in the past has invested public funds to build the best highway and air traffic systems in the world. We can afford to do the same for the railroads, including rail passenger service.

The balance of my statement is devoted to comments on specific sections of the two bills available when this statement was written: S. 2478 (which we understand is largely similar to a bill introduced by Mr. Staggers), and H.R. 11089.

We strongly oppose this statement in Sec. 2 of HR 11089: "The Congress finds * * * that the cost of providing (intercity rail passenger) services should be covered by the rates charged for such services except where a lesser rate is in the public interest." Under present conditions, this language really means that no rail passenger service should be operated except where it is in the public interest, a statement so obvious as to be superfluous.

To start with the presumption that the rail passenger should pay 100% of the cost in his or her fare makes no sense, particularly when the other modes of transportation—most notably the private automobile—do not have this requirement. Even if the highway trust funds covered the full cost of highway construction and maintenance, which they do not,¹ the very fact of the government's having established a trust fund for highways and not for railroads creates a major anti-rail bias. Furthermore, the trust fund as applied unevenly to different modes is not a reasonable method for achieving the laudable goal of "user-pay", since many contributions to that fund are made unwillingly—for example, by people who take trips by automobile which they would have preferred to take by rail if the service had been available.

Though beyond the jurisdiction of this Committee, the Federal Highway Trust Fund has a major impact on the Committee's work. Our Association's Executive Committee, realizing this, has just approved our support of the Environmental Action/Highway Action Coalition effort to increase the flexibility available to locally elected officials to determine how Federal transportation dollars are spent in their jurisdictions, and to get the Federal government to insist that resulting projects are consistent with other Federal policies, such as conserving energy and the environment.

We appreciate the fact that Mr. McFall has allowed for some public comment in his bill (at Sec. 3(c)), but much prefer the language of S. 2478 (Sec. 3 on page 5) which specifically requires the ICC's Rail Services Planning Office

¹ Federal and state highway trust funds cover approximately two-thirds of the cost of all highway construction and maintenance, but do not cover "traffic control" costs which take up one-third of the budget of some police departments, or indirect costs such as from air pollution, accidents, and land lost for development.

to hold public hearings on the Secretary's preliminary recommendations, and gives a more reasonable length of time in which to complete the review process. HR 11089 simply allows 90 days for interested parties "to provide the Secretary with their comments and recommendations in writing" (Sec. 3(c)), whereas S. 2478 allows 90 days for the hearings and an additional two months for RSPO to analyze the testimony and prepare its report to the Secretary. As a practical matter, we have found that the dissemination of rail reports is a time-consuming process, and the additional two months will not only permit the RSPO to do a reasonable job but also provide additional time for communications to go directly from the public to the Secretary.

With regard to the manner of approval for the Secretary's final report, we support the requirement of an affirmative concurrent resolution, such as in the Federal-Aid Highway Act of 1956.² But the one-house resolution of disapproval as in S. 2478 is preferable to the two-house disapproval set forth in HR 11089. We think the burden of rounding up votes should be placed on the Administration, not on consumers.

HR 11089 would replace Amtrak's existing Board of Directors with a three-member Board consisting of the Secretaries of Transportation and of the Treasury, and a railroad representative. Our Association strongly opposes this, and regards it as a slap in the face of the consumer. To eliminate the voice of the consumer on the Board, and to increase the influence of the private railroad companies, many of which have helped to contribute to Amtrak's problems, is senseless in our view. We hope that, if this Committee must make changes from the concept of the Board it previously approved, those changes will not be so drastic nor in the direction of those contemplated in HR 11089.

The funding contained in HR 11089 is inadequate. NARP has consistently maintained that Amtrak's present system should be continued until the end of the route structure review process. Obvious restructurings could be made (such as running Chicago—Florida via Atlanta), but discontinuances should not be permitted.

The review process would lose its integrity if Amtrak had to prepare to discontinue trains at the same time that the review was being conducted. The energies of this Association and other interested people would naturally focus on the immediate threat to services, and ignore or devote much less attention to the DOT's route structure study. The likelihood of a good, systemwide DOT analysis, supported by active public participation, would be greatly reduced.

The Administration seems to recognize this. In testimony before this Committee on March 14, Deputy Federal Railroad Administrator Robert E. Gallamore stated:

"We recognize that if Amtrak's present system is frozen in place pending the completion and acceptance of the route study, the \$510 million for FY 1979 support of Amtrak operations which is proposed in the President's Budget will be inadequate. If the Congress adopted as part of the FY 79 authorization for Amtrak a mechanism for implementing the study recommendations of DOT similar to the provision in Senate Bill S. 2478, I believe that the Department would be prepared to support a freeze of the present system pending a final decision by Congress on a new structure. I am sure that this Subcommittee is well aware that such a freeze, which would continue at least through January 1979, would require additional appropriations for FY 78 and FY 79." S. 2478 would provide up to \$550 million for nationwide operations and \$83 million for the Northeast Corridor, whereas HR 11089 would provide only \$460 million plus (we assume) some portion of the \$50 million (designated for administrative and central management expenses) for all operations.

Regarding capital improvements, we strongly support what we understand to be the provision in Mr. Staggers' bill that would provide the full \$341 million requested by Amtrak. Rail passenger service would be in much better shape today if capital budgets had not been whittled back consistently in previous years.

I would like to conclude by making some general comments about Amtrak's performance. There is strong sentiment in our Association that Amtrak's policies regarding rollingstock, marketing, and fares leave much to be desired. We wish that Amtrak had long ago embarked on a massive program to convert

² See the Congressional Research Service report 76-88 G, "Congressional Review, Deferral and Disapproval of Executive Actions: A Summary and an Inventory of Statutory Authority" by Clark F. Norton, Apr. 30, 1976, p. 27.

its conventional long-distance cars to electric heat and air-conditioning, and that Amtrak would refrain from selling more good equipment. We believe that general fare levels are too high to "maximize revenue" and that bargain discounts are often too complicated to sell and are not communicated effectively to the public. We believe that too much advertising money is spent on general "image" publicity rather than promoting specific services and fares; that telephone reservation clerks are not well enough informed about the services they are supposed to sell.

On the other hand, there has been much favorable comment about what is being achieved in On-Board Services, and we are beginning to see a firmer approach towards employees who are not doing the job. For example, we received a copy of a letter to Mr. Reistrup from a Chicago-based editor who complained of a bad winter trip in which the locomotive ran out of fuel and the writer ended up flying to his destination. In spite of his bad experience he was able to report: "all the train crew and station staff were responsive to the passengers' needs and friendly." And I subsequently learned that the individual who had been in charge of locomotives in Chicago was relieved of his duties shortly afterwards as a result of this and other incidents.

It is too early to say anything definitive, but we have heard good initial reports about Amtrak's new Executive Vice President and Chief Operating Officer, Martin Garellick, and we are hopeful that he will be able to spread throughout the company the positive attitudes which are already growing.

This is not to say that we are happy with Amtrak today. Much more could and should have been achieved in Amtrak's first seven years. But we do see important signs of improvement which are new, and which have the promise of getting things moving properly. In any event, the answer to management problems is to correct them, not to shut down service to the public.

Thank you very much for the opportunity to appear today.

Mr. ROONEY. Thank you very much.

I would like to have you comment on the third paragraph on the first page.

If the taxpayers of this country decide that they want something, and if the taxpayers decide that they want their tax dollars spent so that they get it, to what extent do public officials, both elected and appointed, have the responsibility to alter their spending policies * * *.

Let me tell you, Mr. Crikelair, many, many letters that I get are from irate constituents dissatisfied with Amtrak service and do not want unlimited millions and millions of dollars spent for a corporation that does not serve the general public.

Why is it if the taxpayers want this facility so much, why is it that less than 1 percent of the American traveling public use that facility?

I am like you. I am a railroad buff and I would take the train—if I represented the Philadelphia area, I would take the train. I would not know what an airplane looked like at National Airport, but we do have that kind of facility in Pennsylvania in my district.

I do not see why any of the Philadelphia Members of Congress take the plane. It takes an hour round trip between the two airports, when they can take the train to Philadelphia and be there in 2 hours and 15 minutes. But when it is not serving the rest of the Nation, it is a very difficult position to be in, to defend the expenditure of over a half a billion a year for something that is not being used by the American public.

Mr. CRICELAIR. I should say that we most definitely appreciate the efforts that you have made on the subcommittee on behalf of Amtrak and on behalf of those people who want this service to continue.

Mr. ROONEY. I hope the officials of Amtrak take note of that.

Mr. CRICKELAIR. Our feeling on that matter is that Amtrak is now providing an important service to the country and that the service is being used. We feel that the use of that service could most definitely, increase, and that this could happen if the frequencies that are provided, if the once a day service that is provided, were to be increased.

Mr. ROONEY. You talked about the Amtrak public opinion poll. Does not that poll also show that the Americans also prefer other forms of transportation, other than railroads?

Mr. CRICKELAIR. Yes, sir. The indications are that the vast majority of the public as their first choice prefers alternate modes of transportation, primarily the automobile. However, the poll does not show that 1 percent of the public is all that prefers to travel by train as their first choice.

I have the document here. Without going into the document, I believe the figure was something in the neighborhood of 6 percent nationwide preferred Amtrak as their first alternative. A considerable number preferred it as their second alternative. If this figure is wrong, I hope you will correct me.

Mr. ROONEY. The figures are 58 percent prefer automobiles, 30 percent for airplanes, 6 percent prefer buses, and 4 percent prefer trains.

Mr. CRICKELAIR. Yes, sir. Four percent.

Mr. ROONEY. Do you believe the GAO assessment about passenger train economics presented before this committee yesterday?

Mr. CRICKELAIR. The GAO concluded that Amtrak economically was, as they put it, a failure. There is a very significant question as to what Amtrak was supposed to do in the first place. Was it supposed to make money, or was it supposed to provide a service to the public.

We most certainly would like to see it provide the maximum level of service, making the best use of the tax dollars that are provided to the corporation.

In my view, the corporation was not likely to make a profit from the first day that it was created and I do not foresee that in the future. In my view, that is not the prime criteria for deciding whether or not we should have a rail passenger system in the country.

Mr. ROONEY. Thank you very much, Mr. Crikelair.

Again, I appreciate your testimony on behalf of Mr. Capon and if you will give the Capon family our best regards, we would appreciate it.

That concludes our hearings until April 5, at which time the time and room number will be announced.

[Thereupon, at 5:30 p.m., the subcommittee adjourned, to reconvene on April 5, 1978.]

AMTRAK AUTHORIZATION

WEDNESDAY, APRIL 5, 1978

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 2123, Rayburn House Office Building, Hon. Fred B. Rooney, chairman, presiding.

Mr. ROONEY. The hearing will be in order.

Today, we will have our third and concluding day of hearings on the fiscal year 1979 authorization for Amtrak, as well as a review of Amtrak's performance pursuant to the oversight responsibility of this subcommittee.

The subcommittee was informed by Amtrak that it expects an operating loss amounting to \$613 million for fiscal year 1979, assuming its route structure remains the same as it is today.

It was recognized during the previous 2 days of hearings that the President's budget provides for only \$510 million for operating subsidy and the administration officials testified to the effect that it was admitted that the \$510 million was insufficient to cover the operating losses for this period, but stated that in any event, the \$613 million requested by Amtrak was excessive.

As can be seen, this subcommittee will have difficulty in determining what would be a fair amount to authorize for subsidizing Amtrak's losses.

Congress requested that the Department of Transportation complete a route structure study by March 1, in order to assist the Congress in its authorization and appropriation process. However, the preliminary report is not expected until May 1. Thus, a decision has not been made as to the routes and frequency of trains to be operated in fiscal year 1979 and, therefore, it is difficult to ascertain exactly what the anticipated losses for these operations will be.

It was brought out during the preceding hearings that the number of complaints by passengers with regard to service has increased almost 50 percent in the last year.

The complaints are still about the temperature control and on-time performance—the same problems which have plagued Amtrak since its inception in 1971.

As I have stated repeatedly, I keep anxiously awaiting for some sign of improvement.

Another fact brought out in the previous hearings by the General Accounting Office was that despite public opinion polls by Louis Harris and by DOT, it is the GAO's conclusion that the increased

ridership will not materialize with new equipment. It was brought out that although there has been an overall increase in ridership, there has been a 40-percent increase in the number of trains. Therefore, there has actually been a decrease in the number of passengers per car.

For those of us who have long advocated good passenger train service, Amtrak has become a major disappointment. For some, Amtrak is thought to be the only hope for enticing the American people out of their automobiles and into public transportation for intercity trips.

However, the motor bus industry has to be a part of this process of developing public transportation as well. For these private enterprise bus operators, Amtrak means unfair, predatory competition through Government support.

And, more often than not, for its passengers, Amtrak means frustration, unmet expectations and a total lack of accountability. It is because of this situation that finding answers to the Amtrak problem is so important.

Our first witness today is a very distinguished colleague of ours, and a member of this committee who has contributed immeasurably to this subcommittee, the Honorable Lionel Van Deerlin, from the State of California.

STATEMENT OF HON. LIONEL VAN DEERLIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

MR. VAN DEERLIN. Thank you, Mr. Chairman.

I should begin, I think, by thanking you for permitting me to become a double-dipper of this subcommittee. I was here 2 or 3 weeks ago to present the director of the California Transportation Department for testimony on this same subject, and you permitted me to voice some opinions then, in addition to introducing that lady—

MR. ROONEY. Among other countless hours I have spent with you, along with my staff.

MR. VAN DEERLIN. I thank the gentleman, I think.

As a long-time admirer of the General Accounting Office, I must say I think the GAO has missed the boat in its testimony on the pending Amtrak bills, H.R. 11089 and H.R. 11493.

In its statement to this subcommittee on March 20, the GAO, true to its role as fiscal watchdog, was very properly concerned about the rising costs of Amtrak operating subsidies. But GAO also took what I regard as an unduly pessimistic view of the future of passenger train service. At one point in its presentation, the agency even declared that "passenger loads are not likely to go up unless a disruption occurs in another transportation "mode."

In other words, Amtrak will never amount to much unless the freeways become so clogged, and the airways so hazardous, that those modes become unacceptable and/or unusable.

I think our experience with Amtrak has demonstrated the speciousness of this type of reasoning. Rail passenger service is flourishing on the Los Angeles-San Diego run, even though it is still convenient to travel by car, bus or commercial airline between the two cities.

Last month, to cite an example, the San Diego-Los Angeles trains carried 59,537 passengers, as against 52,741 in March of 1977. Now, at first blush, this would seem like a modest increase, but you have to remember, even in sun-drenched southern California, the weather took an adverse turn this year, and the first 4 days of the month were totally washed out; bridges and track washed out, and trains were not running.

Despite this handicap and the publicity attendant, which surely discouraged people from taking the train, there was an increase which could have been 8,000 to 10,000 greater without those wash-outs.

It is true that a new train was added to the run in the past year, for a daily total of six, to account for part of the gain. But at the same time, fares have been rising at what I consider a distinctly self-defeating rate. As Adriana Gianturco, director of the California Department of Transportation, told you last month, Amtrak ticket costs in California have shot up by as much as 30 percent over the past 1½ years.

If there is one way to assure that all the money Congress has been expending on Amtrak is to no avail, it is to keep boosting fares in a way certain to scare off all by the most affluent prospective passenger.

GAO tuts-tuts the current level of Amtrak subsidies, intimating the train service should be more nearly self-supporting.

In the best of all worlds, pay-as-you go would be the logical answer to the complaints about the Amtrak bite out of the Federal budget.

But in the real world of increasingly congested highways and a looming energy crunch, the subsidies must be measured against the social and environmental costs of allowing train service to wither and die. And let's not forget the support provided by the Government for such other transportation modes as the airlines and even the private automobile. Our primary concern should be to perpetuate passenger rail service, rather than devising means for cutting it back.

I do believe that a reexamination of the Amtrak route structure is in order, as the bills before you would provide. Routes that are clearly superfluous, as indicated by dwindling or negligible ridership totals, which are justified only by someone's political clout, should be modified or abandoned. But let's keep the good routes, expanding on them as necessary. To do less would be to renege on the commitments we made 8 years ago when we enacted the National Railroad Passenger Act.

And above all, let's hold down the costs of riding, keep them reasonable and attractive. It may be that the blanket 2½-percent fare increase, scheduled to take effect at the end of this month, is warranted, but it comes at a bad time, just 6 weeks before summer "surcharges" are applied on many of the longer routes in the west. The effect of the combined increases will be to make rail fare more expensive than air fare on most of the affected routes. One example: A San Diegan who takes the train to San Francisco will pay \$38.40, while flying between the two cities costs only \$35.00.

We should not allow Amtrak to price itself out of business.

Thank you, Mr. Chairman, for the opportunity to present my views.

Mr. ROONEY. Thank you, very much, Mr. Van Deerlin, for your very fine statement. I commend you for your great concern about your passenger service in the San Diego area, which you have so ably represented for so many years.

What, in your opinion, would you consider to be the acceptable loss on a per-passenger-mile basis?

Mr. VAN DEERLIN. Would you give me that again?

Mr. ROONEY. What would you consider to be an acceptable loss for passengers on a per-passenger-mile? Right now, it is 14 cents.

Mr. VAN DEERLIN. Obviously, while I am delighted the chairman asked me that question, I am in no way prepared to answer it. I would point out—

Mr. ROONEY. This is the problem with the Chair and this committee, how far can we go. It is getting to be the big problem in Congress today, when you are talking about \$510 million one year, \$618 million the next year, and the projected for 1979 through 1982 is almost \$1 billion, how long can we tolerate this?

Mr. VAN DEERLIN. Of course, we should try to hold that line and do it by intelligent attention to the routes that are worth saving and can become practical. Within the last half hour, before coming here, I was visiting, in our colleague's, Congressman Wiggins', office, with a number of leaders of the Los Angeles Chamber of Commerce—not on this subject alone, but on a variety of subjects—and I was astounded to hear these pillars of conservative thought all nodding and none of them disputing what I said when I talked about the essence of what I was going to testify about before this subcommittee.

They all agreed that there are some social gains here, which are absolutely essential to keep in the maintenance of Amtrak; and, of course, I would expect we wouldn't wait on hard-nosed appropriations committees, or subcommittees, to address themselves to the area that you have raised in your question to me, Mr. Chairman, but as for any precise answer as to what is acceptable, I would say I would like to see the thing become so successful, with the infusion of Government assistance that it has had, that Amtrak would eventually pay for itself.

Mr. ROONEY. That is what they said in 1971, and it has been going down ever since. I would like to reflect on the chamber of commerce people that you just talked to.

Everybody likes train transportation, and it is needed. There is no question about it. It was a fallback. But do we need the 27,000 miles? Do we need a new route structure?

Here is the poll that was conducted for Amtrak National Railroad Passenger Service by Louis Harris Associates, and these same people that you just met with, of those most likely to travel 100 miles, or more, in the next few months, "How would you like to go," the first choice was 58 percent cars; the second was 30 percent airplanes; the third choice, 6 percent buses; trains, 4 percent.

Mr. VAN DEERLIN. Some of us jog.

Mr. ROONEY. Thank you very much, Mr. Van Deerlin. We appreciate your being here today. You are a fantastic jogger, I understand.

Our next witness is another colleague of ours, from the great State of South Carolina, the Honorable John W. Jenrette, Jr.

**STATEMENT OF HON. JOHN W. JENRETTE, JR., A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF SOUTH CAROLINA, ACCOMPANIED
BY DONALD SKINNER, STAFF MEMBER**

Mr. JENRETTE. Thank you, Mr. Chairman, and members of the committee: I appreciate the opportunity to be here.

Mr. Chairman, in June 1976, I requested the establishment of two "experimental" Amtrak stops when the Palmetto was inaugurated. These stations are at Dillon and Kingstree, S.C., in my district. Amtrak conducted a study of their 16 experimental passenger stops nationwide in October 1977 and discovered that Dillon and Kingstree, S.C., held the first and second positions respectively regarding daily ridership at the stations studied.

The last time I appeared before this subcommittee, also in October of last year, I expressed my concern over the reduction of service from daily to quad-weekly on the Palmetto and that continuing the reduced frequency can only damage the economics of this route. Fortunately, Amtrak's supplemental appropriation enabled restoration of daily service. Today, Mr. Chairman, I am pleased to report that the Palmetto is the second ranking long distance train in the Amtrak system outside the Northeast corridor operation. Its cost-revenue ratio is approximately 1.9. This means that for every \$1 of direct cost for operation, Amtrak receives almost \$2 in revenue.

It is good to know that my district not only appreciates, but utilizes the Palmetto. However, my reason for appearing before this subcommittee today—and I appreciate this opportunity—is for a much broader issue which has the potential to affect the economics of every route operated by Amtrak throughout the Nation. This issue involves the utilization of postal contracts to bring additional revenues to these routes.

Historically speaking, mail transportation has always been an instrumental part in maintaining the economic viability of passenger train operation. When passenger trains were profitable, it was due to a combination of passenger, mail and express revenues. I find it difficult to expect Amtrak to ever operate without subsidization as long as the need for additional mail contracts is not taken into account.

Presently, Amtrak does receive a marginal amount of mail contracts. If one includes revenues from terminal handling at Washington and Chicago, the total is only \$14 million per year. A private study done by Frank E. Shaffer of Chicago demonstrated that coordination between the U.S. Postal Service and Amtrak for the transportation of bulk mail on what is essentially the present Amtrak system, could realize \$50 million in revenue to Amtrak. Of the Nation's 21 bulk mail centers, Amtrak serves 19 and the Greensboro, N.C. BMC is served by Southern Railway. According to this study, "U.S. Postal Service has already begun to test Amtrak service. Daily cars between Seattle and Minneapolis are running 1½ to 2 days faster than USPS standards." An injection of \$50 million in yearly

revenues could not help but improve Amtrak's fiscal position, and certainly give us a better taste here in Congress.

In addition, the Shaffer study does not include the transportation of first-class mail as a potential revenue source. Amtrak is to be given credit for developing a plan to carry first-class mail in trays aboard the Amfleet trains of the Northeast corridor. It is my understanding that the Postal Service has agreed to institute this as an experimental program. Such a program can easily be expanded to additional routes on which there is frequent service—for example, Boston-Washington, Washington-Savannah, and Los Angeles-San Diego. First-class mail revenues would be in addition to the \$50 million BMC figure.

As a member of the Government Operations Committee, I view with great concern the lack of complete coordination between two Federal instrumentalities, being the U.S. Postal Service and Amtrak, when both are under heavy subsidization from the Congress and both have the potential to reduce the total subsidy through cooperation. In June of last year, the Postal Service discontinued the Railway Post Office operations between Washington and New York. This service assured next-day delivery of mail throughout the corridor; this high service standard is no longer met. The U.S. Postal Service claimed an annual savings of \$1,238,000 would be realized as a result of RPO discontinuance. I found this estimate somewhat suspicious in view of the fact that it was formulated without any contract discussions taking place with Amtrak. Furthermore, both the late Senator Hubert Humphrey and I had been informed by Amtrak that the Postal Service's savings estimate could be deflated by approximately 50 percent through technical refinements, such as containerization of Railway Post Office storage mail.

My concern regarding the RPO prompted Senator Eagleton, who chairs the Senate Subcommittee on Government Efficiency, and I to contact the Comptroller General and request an investigation in this area. I have been advised by Amtrak that they would be able to resume RPO operations in a short period of time if requested by the Postal Service or if mandated by the Congress.

One must consider the lack of a strong liaison between the U.S. Postal Service and Amtrak as critical to the marginal postal contracts Amtrak has been receiving. The 1978 authorization legislation for Amtrak should contain a reference to the special relationship between U.S. Postal Service and Amtrak and subsequently mandate coordination.

I request that your subcommittee, Mr. Chairman, along with those of us who want to help, look into this potential and assist Amtrak in saving this initial \$50 million in revenue.

Mr. Chairman, I am grateful to you for the opportunity to testify here today and if there is any way I can be of assistance to you or the subcommittee, please let me know.

Again, I thank you.

Mr. ROONEY. Thank you for a very fine statement. I agree with you in trying to put more mail on the Amtrak trains, but the problem we have is the distribution centers not being near the stations that Amtrak serves. How about your district? Are there any facilities right near the station?

Mr. JENRETTE. Yes, sir, but my district would not be hampered as we have the three stops in the district a few blocks from the Postal Service facilities.

Mr. ROONEY. How do you get the mail from the train to the Post Office.

Mr. JENRETTE. We used to have the old trucks come to the station, wait for the train and take the mail to the Post Office to be distributed.

Mr. ROONEY. If we did that all around the country, there would be a substantial increase in the cost of handling mail. This is the problem.

Mr. JENRETTE. On the New York-Washington corridor, the RPO used a system successfully, although the cars were old. The mail was sorted on the RPO during the time the train was travelling from New York to Washington, or vice versa, then a truck would pick it up and it was next-day service.

In my opinion, one of the problems would be that Amtrak has to be every place. If you can't have that, there are many problems moving it from the train to the distribution centers. However, I believe as long as we are going to subsidize both of the agencies in an economic sense, the major corridors, certainly, should require some postal coordination. Not only can Amtrak be utilized, but it would also provide a better mail service for the people of the Nation. I would like for us to look into this.

Mr. ROONEY. Thank you. I can assure you the committee will look into that very diligently.

My colleague has arrived unnoticed by the Chair. The gentleman from Kansas is recognized.

Mr. SKUBITZ. They don't pay much attention to us on this side.

I want to compliment you on your statement and your interest in the handling of the mail. I have been talking about this point ever since Amtrak came into existence. I was impressed with your statement that you had talked to Amtrak about restoring the old railroad trains. I wondered if you had raised the question with them, if they had ever talked to the Post Office Department about this and if the Post Office Department said no, had they ever gone any higher up in the administration, to the Capitol, or even to the President, saying, "Look, here is a place to save some money."

Did you talk about that with them?

Mr. JENRETTE. We have talked with them. I can't remember, from our conversation, exactly who was to blame or who was passing the buck to whom. I think, from your witnesses today, that one of the gentlemen, at least, will be able to answer that better.

As I understand it, when the very last RPO's were taken off, the U.S. Postal Service made clear the contract would not be renewed through any negotiations.

Mr. SKUBITZ. I simply raised the problem with you because I know the other parties are here and I want to give them time to think about it.

I think, as you do, that Amtrak could, without doing any injury to the passenger service, take care of the mail. I can't say that for a fact, because I haven't really looked into it, but I assume Amtrak,

in many instances go into the areas where the big mail distribution centers are.

If they did, and the two of them got together, they could handle a lot more of our mail a lot more efficiently than it is today.

In my section of the country, for example, mail used to come from many towns in Kansas on the train and from Kansas down South into New Orleans, but under this new system we have today, if I sent a letter from Pittsburg, Kans., to Fort Scott, it goes to Kansas City and from Kansas City, they take it to Wichita, and at 3 o'clock in the morning, they drop it by a little plane into Fort Scott. I could do better by driving up there and delivering my mail personally.

It got so bad in our section of the country, a person has gone into the business of delivering personal letters, first-class mail, and it is such an insult to the Post Office Department, that the Post Office Department has brought an action against them to stop them from making mail deliveries and the courts have supported them on it. We would have gotten better delivery by having private enterprise handle it.

We have another bill coming up on the delivering of parcel post. Because of the way the Post Office is being operated, private enterprise can do a better job than the Post Office Department, and make money.

I have been convinced that perhaps this whole thing ought to be taken back by the Congress of the United States. It should be back in the hands of the Government. The Postal Service has been a complete flop. Amtrak is going to be, and has been a flop, until it gets off its duff and starts looking for ways not only to improve service, but also for other means of securing revenue.

Mr. JENRETTE. Amtrak is serving 19 of the 21 bulk mail centers. As I understand, at the close of the last RPO contract, from Washington to New York, approximately seven or eight large trucks were utilized to make that run from Washington to New York, right in the time when we are facing a severe energy crisis. Amtrak is going along the very same route, almost parallel with interstate highways, that are used by seven or eight energy-using mail trucks.

These are some of the things, Mr. Skubitz, that really concern me. We have problems, unquestionably, as to distribution. But since it takes 102 gallons of fuel per truck, round trip to New York, and I think we would be better to utilize Amtrak along the same route.

Mr. SKUBITZ. Getting into another area, we keep talking about the losses of Amtrak. I don't think any Member of the Congress ever dreamed Amtrak, or thought that Amtrak, could ever be a for-profit organization.

In fact, the chairman and I, when we presented the bill, stated our views on it. We didn't think it would be like the mail service. What we want Amtrak to do is to do everything possible to cut down on its losses.

The chairman has pointed out the amount of money it has cost. Let me read you some of the figures of Federal grants, the totals from fiscal year 1971 to 1977. In 1971, we appropriated \$40 million for Amtrak; in 1972, \$210 million; in 1973, \$264 million; in 1974,

\$358 million; in 1975, \$636 million; in 1976, \$1,813 million; in 1977, \$2,484 million. I don't know if we can maintain those sorts of grants. In fact we can cut them down. There is always the idea that we can cut everything in the South and Midwest out of this whole system and take care of the Northeast corridor and the big cities.

I tried to sound the warning. The minute you start taking them off the Congressmen and the Senators from the South and Midwest are going to lose all interest in Amtrak.

Would you agree with that, sir?

Mr. JENRETTE. Yes, I would agree.

Mr. SKUBITZ. We feel this is a service that is necessary. We are willing to assume there is going to be a loss on them. All we are asking Amtrak to do is to try to operate more efficiently, give us a better service, and to do everything it possibly can to cut its losses. That is all this Congress is asking. This is particularly true in Kansas, Pennsylvania, and South Carolina. It goes through Kansas at night on its way West.

Thank you, Mr. Chairman.

Mr. JENRETTE. Thank you, Mr. Chairman.

Mr. ROONEY. Thank you, gentlemen.

With that admonition from the gentleman from Kansas, we now call on our next witness, a man who is very responsible for Amtrak, Mr. Paul H. Reistrup, president, National Railroad Passenger Corp.

Welcome to the committee once again.

STATEMENT OF PAUL H. REISTRUP, PRESIDENT, NATIONAL RAILROAD PASSENGER CORP., ACCOMPANIED BY DONALD R. BRAZIER, VICE PRESIDENT, FINANCE

Mr. REISTRUP. Thank you, Mr. Chairman. I have Don Brazier with me, with your permission, who is our vice president of finance.

We again thank you for the opportunity to testify this year on Amtrak's capital and operating authorizations for fiscal year 1979. I think we are at a turning point at Amtrak.

We appreciate the opportunity to testify on H.R. 11493, introduced by the chairman of the full committee, with a number of cosponsors, which addresses Amtrak today, its problems and our progress, and also the proposed changes to the basic statute.

Mr. Chairman, in this statement, and I hope I will have your understanding, yours and the committee's, I am going to depart somewhat from our formal and normal form of testimony. I have taken, many times in the past, the position that Amtrak's job—those of us in management—is to run the best possible passenger railroad and to defer to the Nation's policymakers, the administration and the Congress, for the decisions on national transportation policy, and that still stands. But as a citizen and Amtrak's chief executive officer for the past 37 months, and as a member of the Amtrak board of directors, I believe the time has come for me to speak out, perhaps a little more openly, on the basic policy issues.

As you know, Mr. Chairman—

Mr. ROONEY. Why didn't you do that prior to this hearing? Why didn't you do that in the past? We always like to have people speak their minds.

Mr. REISTRUP. Mr. Chairman, my feeling was that I was your professional railroader and I would run what you decided we should run. That, of course, has led to my being personally—and also the Amtrak management in many cases—in an untenable situation.

I think we will address that today. A greater number of the questions might address some of these issues. It is very timely.

We support the restructuring study. It is time to take a hard look at Amtrak. In our 5-year plan, we actually suggested such a study, so we are glad to see this type of analysis.

To go back in history a little bit—continuing with my first page of the testimony—in 1970, as Mr. Skubitz mentioned, passenger service was about to disappear in this country and something had to be done to save it.

The simple reason, at that time, was that the American people wanted it saved. Congressional initiatives in the 1960's forced a reluctant administration to go along with a compromise approach, which resulted in the establishment of Amtrak.

At the stroke of midnight April 30, 1971, fully half of the passenger trains and routes of those still serving the United States were eliminated, and very limited funding proposed by the administration was provided.

Some people were convinced, in 1971, that Amtrak was just a shell game—I happened to be one of them, I was then in the private freight railroad business—contrived by a hostile administration, designed to prove within a few years that passenger train service had no future in this country.

Congress knew—otherwise, in directing that Amtrak be formed. Although the future of the passenger train was an open question as perceived at that time, the Congress took steps to see that the test would be the fairest test possible.

The act was innovative in the best legislative sense of the word. Rail passenger service was freed of a great deal of burdensome regulation and bureaucratic red tape. It was made national in scope. That was the first time we had had a transcontinental through-passenger-service in this country.

They had, really, at the beginning of Amtrak, no interest other than running a people-moving service, and mail was not considered that much. We will get to that in more detail later.

The law, perhaps, could have specified that we would be a non-profit corporation. Anyone who knew anything about the business knew it would not generate a profit.

Personally, I feel it should remain a for-profit type of operation. Perhaps it could be better worded, but to keep the stress on operating on a for-profit basis or as a for-profit corporation operates.

What we are trying to do, and that is why we at Amtrak management believe in this, is to raise our revenues as high as we can, and to optimize revenues, including rail fares, the volume, and keep our costs as low as possible. I think you lose something if you strike “for-profit” for that reason.

Mr. ROONEY. How can you ever conceive that Amtrak will be a for-profit organization?

Mr. REISTRUP. It is today, sir. It is not going to make profit, but it operates just the same as I did on the three railroads that I served,

all of which made a profit. I haven't changed my way of doing business. I would hate to lose that and have it become a bureaucracy. It is close enough to that now.

Mr. ROONEY. Mr. Reistrup, what I think Amtrak should do is keep their losses as low as they possibly can, but never, keep in the back of their minds it is a for-profit organization, because we go from \$40 million at the inception of Amtrak to today where you are testifying for \$613 million for operating costs.

In my opinion, that is not a for-profit organization.

Mr. REISTRUP. I feel it should be operated on a for-profit basis. I think it was worded improperly at the time. I would say, Mr. Chairman, that my understanding is that the bill would not have been signed in 1970 if it had not had those specific words in it. I think it was part of that agreement. That is just my understanding. I was not here then.

Mr. SKUBITZ. Would the gentleman yield?

Mr. ROONEY. I yield to the gentleman from Kansas.

Mr. SKUBITZ. Mr. Reistrup, to say that, knowing full well that we are going to lose money, to me, is a fraud.

Mr. REISTRUP. I think it was at that time, yes, sir.

Mr. SKUBITZ. The chairman of this committee and I, at the time the bill was up, made the statement that they thought it was going to operate at a profit, they were in error. I made the statement, and I think the chairman agreed with it to keep on with this charade, that Amtrak is for-profit, is like the national debt. We say we are going to have a ceiling on the national debt. Everytime we reach the ceiling, we crash through it. As soon as we raise it a little more, we say, "Oh, boy, let's go through that." Maybe we would be a little better off if we didn't have a ceiling.

Mr. REISTRUP. I would suggest the wording be changed.

Mr. ROONEY. You keep on dreaming and we will keep hoping.

Mr. REISTRUP. All right.

We found the congressional changes made it easier for Amtrak to bring its needs directly to the Congress. I am referring specifically to the capital improvements amendments to the act of 1973. Then, there were several more changes. There were routes added, and the experimental route feature was added, which has led to more of the country being served.

There were other technical changes, such as providing for telephone service on metroliners, and so forth, indicated on page 3 of my testimony.

I would like to state, Mr. Chairman, that H.R. 11493 would help us to take another long step further into the future. We support this legislation. It continues the present system and preserves the present institutional concepts while permitting a timely review of the route structure and an examination of the structure—how we might do better, how we might come up with a better system evolved from the present one, with improved revenue possibilities, reduced costs, service maximization where the markets will support more trains, and sufficient capital for the improvements to do the job right.

A comment at this point, and I would like to come back to it later. Amtrak has not been provided with the capital sufficient to make capital improvements. During my tenure, it has been very little. The

shift from guaranteed loans to capital grants, in effect, turned off the capital investment spigot, so there has been no approval of new equipment of any quantity since February 1975, and the record should show that. It is a long time.

The President's budget starts out with a figure that is rather minimal. Not long ago, before this committee, I suggested if we are to have a passenger train service in this Nation, we should fund it properly and operate it properly. That remains my position today.

I find that the spirit of the Staggers bill is consistent with that.

I would like to make a strong statement for the record here today: That despite our problems, which at times have been monumental, Amtrak today is a success. Based on what we have already done with the help of Congress, we, today, have a system with promise for a decade of uncertainties ahead. We are beginning to show what we can do. The public welcomes our new trains and stations and protests proposed discontinuances. Our new equipment is making a difference. Our record of service this year, compared to last winter, shows the value of an all-electric car heating system. In New England, during the series of blizzards—we had two big ones, in late January and again in late February—in the February one, we were the only form of transportation operating at Boston. In fact, we were the way that Mayor Kevin White got back to Boston during that storm when part of the city was blacked out.

I was told by the superintendent at Boston, who lived in the station for that week, that we actually ran trains on time the day following the blizzard. We ran—not every train, but five out of nine—at the height of the storm, right on, during the winds.

Mr. Chairman, earlier I alluded to the fact that the reason we have an Amtrak today is that the American people want this inter-city train service. It was true in the 1960's and it was true in 1972, when Amtrak was just getting underway and had its first Louis Harris survey. The Harris polling organization has now repeated and updated its 1972 survey. A similar survey, which we heard referred to today in the colloquy with your colleagues, confirms these results.

There appears to be today less support for highway and airport construction, and there is more support for improvements in rail-passenger service. When you consider the limited present availability of Amtrak service in this country—roughly 500 stations—the desire for this service is higher than some people might recognize. It is not the first choice by so many, but when you combine first and second choices, more than half of the people consider Amtrak. We are at least in the running today, and that was not true 3 or 4 years ago. We are at least a consideration.

In the corridors where the new equipment has come in, particularly in the Northeast corridor, two out of three people think we are doing a pretty good job, going from Washington, D.C., up to New York and Boston. This percentage is way up over the 1972 survey.

We, along with the buses, are the most energy-efficient mode, as compared with air and automobile. We feel that, assisted in large part by our massive national investment in the interstate highway system, the bus can be more efficient than the train in moving

smaller groups of passengers. We hope, together, we can achieve more with the buses, and, Mr. Chairman, I have no suggestion today on how we can do that. It is a matter of attitudes.

Speaking personally, and also before this committee, I want to say that we are at loggerheads with what ought to be our closest inter-model partner, the motor bus, and some solution has to be found for that. I admit that is probably one of my big failures. I bombed out in that arena.

Mr. FLORIO. Mr. Chairman?

Mr. ROONEY. Mr. Florio is recognized.

Mr. FLORIO. With regard to the GAO study, one of the conclusions was the fact the only competition that is going on, for purposes of getting new passengers, is the competition between the motor carriers and the railroads, in your case, Amtrak, and no one is really attracting those individuals who are outside two modes, the people in the cars.

What you are saying almost gives credence to the fact that your initiatives take from the motor carriers, they are now asking for subsidies with the intent of taking from you, and we are not getting to this great mass of people who are still in the cars but are not attracted to either mode. Do you think that is a reasonable conclusion by the GAO?

Mr. REISTRUP. Mr. Florio, it is a very complex situation to analyze, and I think GAO's analysis helps. I don't think it is entirely the appropriate conclusion. I would hope that what I said was not giving support to the thesis there is head-to-head motor bus-Amtrak competition.

We find there is only about a 10-percent flop, one to the other. We have seen surveys that get as high as 12 percent, but the norm is 10 percent. We are really competing with the automobile, both of us.

I would agree. That is what I was trying to address myself to. Amtrak does not serve enough points alone to make it, in all cases, a convenient alternative to the automobile. The off-corridor points, such as the chairman's area, where Amtrak does not serve, are very important, and the motor bus feeds into it the same way the city bus system here in Washington feeds into the Metro rapid rail system.

Mr. FLORIO. Isn't the philosophic point not whether they serve, but can they serve in a cost-effective way? It seems to me you have been quoted as saying if you have full capacity, you would still be losing a tremendous amount of money. Now, you are saying if you extend into other areas to compete with the motor vehicles, you will draw off more passengers. Would you draw off a sufficient number of passengers so as to make it cost-effective to do that?

It seems to me the answer has to be no, because, as you have indicated, even if you filled up all the trains you have now on the lines, you wouldn't be doing too terribly much better in terms of net bottom line result.

Mr. REISTRUP. This is true, if the bottom line result is looked at as just the request that comes before you for running Amtrak. The highway support is a mix. The \$1.8 billion spent for the FAA is overlooked, for some reason, which provides for all of us to ride airplanes. Without it, we wouldn't have the air system we have in this country.

This is really something that has to be, I think, looked at at the national level by the Secretary of Transportation and his staff, comparing apples and apples, not comparing apples and oranges, to come out with the proper mix. But I do think we can cut the loss down a lot. In the few countries around the world that have made the policy decisions and have determined it is worth it, all of them are supporting the rail system. They will support the other modes, also.

Mr. FLORIO. I am sure that there will be room for development. On its face, cutting down the loss with regard to Amtrak is going to be at the expense of other subsidized modes, whether it be aviation, through the FAA, or the bus carriers, with the subsidization of the interstate highway system, or whatever. None of them are making any great inroads into the great mass of individuals who don't use any of these.

Thank you. Thank you, Mr. Chairman.

Mr. REISTRUP. I do think it is very important. We have found that on the Boise train, 57 percent of the riders came from the automobile. Actually, that is one of the subsidized modes, you are correct.

Mr. FLORIO. On the Boise train, the loss would be how much money?

Mr. REISTRUP. A little worse than average, but not in the lower third. It is doing better than we thought it would. It is our newest train.

Mr. FLORIO. Thank you.

Mr. REISTRUP. We have found many of our people are discovering the advantages of train travel and we have been limited on the amount of equipment that has been available, particularly in the last couple of years, during the delay and delivery of the new equipment for western services.

We tend to forget there have been no new trains in the Far West for the longer-distance runs. The Pullman order was approved by the Amtrak board in February 1975, and we have not had the first car delivered. I heard this morning that the Pullman strike, which has lasted since October, has now been settled, and we will begin to get the cars as quickly as Pullman can turn them out. General McDivitt, the president of Pullman, is dedicated to accelerating the output as much as possible. We have yet to test the service in the West because we have been running with ancient equipment, and trying to maintain that service without wasting money on those cars that are scheduled for retirement.

This has brought about a lot of our air-conditioning failures, and as a result, complaints. We have had, in the reequipped sectors, a much different picture. We have talked a lot already about what I referred to at the bottom of page 5, the Amtrak "failure" and it all has to do with the bottom line, which requires our coming over here and asking for money. That is really the only thing that I would consider an Amtrak failure. I have mentioned what I consider my personal one, and that is not being able to achieve, with the buses—and for the first time in my career—an intermodal arrangement of some form.

Going on to page 6, I state that our critics neglect the effect of inflation and also neglect the fact that in our Nation's history there

is no mode of transportation that has ever become established on a continental scale without substantial Government support, whether it be by direct appropriations, funding for public works, the power of Government to shape by regulation and law the very growth patterns of our land, or by the use of the coercive power of eminent domain. These subsidies are usually called supports, whatever you want to call them, and usually tend to continue for the other modes, although they may be modified over time as one mode or another gains strength against another.

In Amtrak's case, the need for subsidy was not to assist in the development of a new form of transportation. Rather, it was to resurrect one, operating over rights-of-way long neglected by national policies assisting other modes. If I may add here, I left the National Transportation Safety Board earlier this morning, testifying there on the traffic safety issue as Amtrak relates to it in that we do maintain track in the Northeast corridor over which hazardous materials are operated. Resurrection, in this case, was the appropriate word because rail passenger service was about gone in the country.

We have not developed detailed technical comments on every provision of the legislation being considered—the three bills, the Senate's, Mr. McFall's bill, and Chairman Staggers' bill.

However, the Amtrak board, at its March meeting, which was last Wednesday, considered the provisions in H.R. 11493 and brought about the late revisions in my testimony so we could characterize those deliberations as accurately as possible. I have been authorized by the board to continue to work cooperatively with the Congress and this committee in the further development of this legislation.

The specific proviso in the Staggers legislation for the method of voting on the route structure study was supported by the board. There were several dissenting votes, however, and I think the committee needs to be aware of that. I was authorized, therefore, to support Mr. Staggers' legislation.

The major difference from Senator Long's was the form the route restructuring approval called for—rather than vetoing it by turning it down, by voting it up or down by both Houses of Congress when the route structure study process is complete.

In the meantime, we get to the authorization levels for what really would best be considered continuing to operate under a frozen system, which requires more money than the administration has requested, as you, Mr. Chairman, pointed out in the opening statement. The authorization is for \$633 million in the Staggers bill. Amtrak's request is for \$613 million. That is the figure in Senator Long's bill. Mr. Staggers' authorization, therefore, would provide sufficient funds for us.

We can justify every dollar requested for both the operations and also the capital improvements, either through improved service, reliability, health or pollution requirements, the reduction of operating losses, and improved productivity.

Again, the capital needs are what ought to be addressed, more than the operating losses, because there would be a trend in lessening those operating losses, as is pointed out in our 5-year plan, if we put in the proper capital.

Amtrak, starting out in 1971 with only \$40 million, was an example of undercapitalization of an industry, and as is the history of the railroad industry in this country, and undercapitalization as any enterprise starts is the most common cause for a firm going bankrupt, and that was done back then.

The operating fund request is an estimate based on the assumption, as I pointed out, that Amtrak will run essentially the same train-miles in 1979 that we are at present. We consider the route structure to be frozen.

I would like to point out the additions to Amtrak since 1971—and I am amazed at how much has been added. We have 36 routes now compared to the 21 Amtrak began with in 1971. All but one of these were required by law or were the result of legislative history.

We also are the operator of the Northeast corridor. That has overhead that goes with it. In today's money figure, that is about \$80 million—Mr. Brazier is nodding his head yes—and whoever operates it does carry that overhead.

We have calculated back and tried to adjust this data to the 1971 dollars, which we thought might be helpful to the committee. I am embarrassed to ask for 613 million, because, in 1971 dollars, that would be only \$180 million. That has been the effect of inflation. And that includes all this added service. We deflated the revenues and deflated the costs, using the proper indices, and that includes the added services.

When you look back at the authorization and appropriations levels for Amtrak, I remind the committee that the railroads were putting money into Amtrak at that time, so it is not a fair comparison. Again, we have apples and oranges.

The theory was, at that time, that would be enough to get Amtrak off and on its own, and it wouldn't need any support, which, of course, was false.

The capital request, at the center of page 9, is for \$341.1 million. It is consistent with our 5-year plan, and includes funding for rolling stock, locomotives and cars, maintenance facilities and right-of-way work.

Over half of the money is related to the Northeast corridor. The Northeast corridor improvement project, as you recall, does not provide funding for equipment. Out there, there is going to be a rehabilitated railroad with almost half of the ties concrete ties but without the equipment to run on it. That money is needed to really get moving on that. That is in this request.

This is not just to continue to run Amtrak as it has been in the past. We note that H.R. 11493 would also authorize another \$25 million grant to reduce the outstanding guaranteed loan indebtedness. This has been done for several years now. I would like to refer to two places—and there are only two that we disagree with—on the testimony that Federal railroad administrator Sullivan gave to you.

The first is dealing with the design of equipment for the Northeast corridor project. The history of the Department, and its predecessors, and the Department of Commerce, in high-speed ground transportation, has not shown there has been a good track record in the equipment development.

As an example, the metroliners were designed by a committee. We now are having to overhaul them, upgrade them, and put the electric gear on the roof so it won't suck in snow and dust—snow in winter and dust and heat in the summer.

The experimental United Aircraft TurboTrains are out of service due to the unreliability and poor rideability; they have single axles instead of double axles, on their bogies, or trucks, as we call them in this country.

Although we haven't done everything perfectly, we have a good record in the last 3 years in the equipment design field. We feel we ought to have a major role and, in fact, be the determinator of the operating engineering features.

The funding, of course, comes through the Department. They have a veto power, and we will cooperate with them. We have to adhere to safety regulations. It is a matter of who is carrying the ball rather than what we end up with.

The second major point of disagreement is on the overhead bridges. The Department wants to make a study. While they are making a study, we could have one of those overhead highway bridges fall in on the railroad.

There isn't time to make another bureaucratic study. The conveyance of Penn Central properties to ConRail, and on to us, did not technically convey these bridges. However, State statutes—and your State of Pennsylvania, Mr. Chairman, has a statute—hold that the operating railroad is responsible for these bridges, so we get orders from the State to repair a highway bridge. That is the last thing that Amtrak ought to be doing, with all the other needs for funds.

That is really a highway situation, in my opinion, rather than a railroad situation, particularly concerning Amtrak.

We, in the meantime, since we do not have money for the highway bridge repair, are insuring that the bridge will not fall down on us and if we see one we feel should not have trucks operating over it, or it should have a load limit put on it, we tell the State, so we are going to insure everything is done safely. But we are not repairing them. I feel this ought to be addressed head on, as your committee deliberates, rather than being finessed by a study.

We do have—I am referring to the bottom of page 11 of my prepared statement—minor schedule changes around the country, which I would like to summarize briefly, because some of you are interested in them.

Out west, the significant one for April 30 will be the total flip-flop of the Chicago-Twin Cities-Seattle services, by 12 hours. That service, as is scheduled today, has brought about a lot of complaints from the public in that area. We feel that we should give people the schedules they want, to the extent we can.

In this case, we will be serving the western parks, such as Glacier, during the daylight hours rather than at nighttime.

In the East, there are two major changes. First, we would add time to the metroliners. Based on this year's track work program, which began this Monday, we are now able to simulate operations, with the assistance of the computer, based for example on work on track one and track four, between X and Y, so we know how much

time is needed, and each metroliner schedule is being adjusted. The average would be something on the order of 15 minutes. We think this will be very helpful in cutting complaints and also having people know when in the world the train is going to arrive.

We should have done it last year. However, we were dealing with moving targets. We didn't know which track we were going to work on and when. We were working when we were also planning. This year, we have an FRA-Amtrak plan for track work and we will program this.

If we need refinements, in June, we will have a time for rescheduling again.

The second big change is we are removing several Friday-Sunday trains, which are like extras—they are very costly—and spreading the other schedules in that time-frame so we can better accommodate the loads on a daily basis.

Adding a train in a very significant gap we had open in the present schedules is one that I personally should have caught before this. We go from 2:45 in the afternoon until 5 p.m. out of New York City today with nonmetroliner trains—let's call it the Amfleet—the conventional service to Washington. That is why we have standing-room-only on the metroliners.

There is more demand than we can handle. There is crowding on that 4:45 train, and also on the 5 p.m. trains. We are adding a 4 p.m. train. It comes out to be roughly equal to what we are doing today. We are only adding about 1,000 train-miles a week, and for about the same cost.

I would like to comment—

Mr. SKUBITZ. Are you losing money on the routes when you crowd them in that way, or not?

Mr. REISTRUP. We lose money, as you know, over the entire system, and if every seat were filled—but in the Northeast corridor, the metroliners bring in more money than they cost on a direct basis—and the Washington and Boston trains which we are referring to—so actually, we are ahead of the game. But fares do not cover the fully allocated costs, however.

Mr. SKUBITZ. They don't?

Mr. BRAZIER. That is correct.

Mr. REISTRUP. I think we should, as I said in my opening remarks, get it all out on the table, referring to H.R. 11098, which would be quite a radical change in Amtrak as it compares with Mr. Staggers' bill, which is evolutionary.

The purpose of H.R. 11098, as I see it, is admirable. It is simply to save money. However, the purpose of Mr. Staggers' bill, which we feel is admirable but a lot more complex, is to save the passenger train service as a national system serving all regions of the Nation.

The question of costs is not to be neglected, and it is not neglected in the Staggers bill. It is proportionate to need and to moderate service growth, such as the taxpayers and the voters of this Nation want.

We, at Amtrak—and I would like to say it again—support a route restructuring process. We are trying to help the Department of Transportation in every way we can. We found that working with the route and service criteria, and procedures, was very cumbersome, one route at a time, and when we got into a region such as the

Southeast—the Floridian was the first train we worked on—it was having a ripple effect on other services.

Connecting ridership is very important to Amtrak. About one-fifth of our passengers connect from one train to another, so we were really unable to handle that sort of a change in the whole Southeast of the United States, using those procedures.

I think that it is time for a zero-based study. We are waiting for it. I wish we could have had it by March 1. What is recommended and approved by you should be properly funded, first, with capital and then with the operating grants. Let's do it right rather than starting out on the wrong basis.

I believe, Mr. Chairman, I have already covered the winter well enough.

I would like to conclude, Mr. Chairman, that the Amtrak people have matured, particularly those that are representing the railroads in the Northeast corridor. It is a sergeant that runs the Army. It is conductors and yardmasters and maintenance-of-way people that run a railroad.

I don't know how they did it with snow up to their waist this year. But it shows you what a railroad can do. We had the airline passengers, including the mayor of Boston. I was on some of those trains. Many of the passengers are not with us every day, when they need us, they know we are there, and they can count on us.

Thank you very much, Mr. Chairman.

[Mr. Reistrup's prepared statement follows:]

STATEMENT OF PAUL H. REISTRUP, PRESIDENT, NATIONAL RAILROAD PASSENGER CORP. (AMTRAK)

Mr. Chairman; Members of the Committee: We would like to thank you for this opportunity to testify on Amtrak's capital and operating authorizations for Fiscal Year 1979; on the legislation that has been introduced (H.R. 11493) by the Chairman of the full Committee and with a number of cosponsors; on Amtrak today—its problems and our progress, and on proposed changes to our basic statute, The Rail Passenger Service Act, some of which are incorporated in H.R. 11493, and some others that are pending in other proposed legislation.

Mr. Chairman, in this settlement, and I hope it is with this Committee's understanding, I am going to depart somewhat from the usual form for Amtrak testimony. I have in the past taken the position that it is Amtrak's job to run the best possible passenger railroad and to defer to the nation's policymakers for decisions on national transportation policy. That still stands. But as a citizen, and as Amtrak's chief executive officer for the past 37 months, and as a member of the Amtrak Board of Directors, I believe the time has come for me to speak out on some of the basic policy issues as well.

As you all know, especially you, Mr. Chairman—and Mr. Staggers, Chairman of the full committee also knows the full history—Amtrak has been under attack from some quarters—not just since its beginning but before its very conception. Congress, which was as usual far more closely in touch with the American public than the policymakers of the administrative branch, knew well before 1970 that something was going to have to be done by the Federal government to save passenger train service in this country, for the simple reason that the American people wanted it saved. Congressional initiatives in the 1960s forced a reluctant administration to go along with a compromise approach that finally resulted in the establishment of Amtrak. The compromise took many forms, among them the discontinuance at the stroke of midnight, April 30, 1971, of fully half of the passenger trains and routes still serving American communities. Another was the very limited funding the Administration was willing to approve.

Some people were convinced, in 1971, that Amtrak was just a shell game, contrived by a hostile administration, designed to prove within a few years that passenger train service had no future in this country. Congress knew other-

wise. Although the future of the passenger train *was* an open question, the Congress took steps to see that the test would be the fairest test possible.

The Act was innovative in the best legislative sense of the word. Rail passenger service was freed of a great deal of burdensome regulation and bureaucratic red tape. And, perhaps most importantly, the passenger train service was made national in scope and put under a management that had no other interest but running passenger service, which includes those ancillary and often very profitable services that historically were combined with passenger train operations—mail and express.

We were specifically defined as neither an agency nor an establishment of the United States government. Although we were and remain heavily dependent on federal funding we were ordered to be incorporated as a for-profit corporation. The law could, perhaps, have specified us to be a non-profit corporation, but there are certain advantages to a "for-profit" charter, not the least of which is support for a corporate emphasis that constantly directs managerial attention to the never-ending struggle to control costs and improve revenues. Our philosophy must be to obtain as many dollars as possible from the farebox while incurring the minimum in expenses, and that is what the words "for profit" tell us to do.

Subsequent amendments to the Act, amendments that were almost exclusively *Congressional* initiatives, expanded the necessary funding—especially for capital improvements—made it easier for Amtrak to bring its needs directly to the Congress without first passing them through the many layers of the Federal bureaucracy, required added routes (recognizing that the early 1971 Amtrak route structure was too thin), and assisted in numerous technical ways with other problems such as customs handling for passengers, continuation of Metroliner telephone service, facilitation of state-assisted services, and help in defining the basis of Amtrak's payment for railroad-provided services.

Mr. Chairman, H.R. 11493 would help us take another long step further into the future. We support this legislation. It continues the present system and preserves the present institutional concepts while permitting a timely review of the route structure and an examination of the question of how we might do better—how a better system could be evolved from the present one, with improved revenue possibilities, reduced costs, service maximization where the markets will support more trains, and sufficient capital for the improvements to do the job right.

Not long ago before this committee I suggested that if we are to have a passenger train system in this nation, then we should fund it properly and operate it properly. That remains my position today. I find that spirit in the Staggers bill now before you.

I would like to make a strong statement for the record here today, that despite our problems—and at times they have been monumental—Amtrak today is a success: Based on what we already have done with the help of Congress, we today have a system with promise for a decade of uncertainties ahead. We are now for the first time beginning to show what we can do. The public welcomes our new trains and stations and protests proposed discontinuances. Our new equipment is making a difference. Our record of service this winter compared to last winter shows the value of an all-electric car system. In New England during the blizzard in late February we were the only form of transportation moving, local or intercity.

Mr. Chairman, earlier I alluded to the fact that the reason we have an Amtrak today is that the American people want this intercity train service. This was true in the 1960s and it was true in 1972, when Amtrak was just getting underway and commissioned a national survey by Louis Harris and Associates. The Harris polling organization has now repeated and updated its 1972 survey. A similar survey just announced by the Department of Transportation confirms the Harris results.

These surveys support what you already know from your constituent mail and personal contacts. The new Harris survey continues to find a decisive mandate from the public to upgrade intercity rail passenger service (and mass transportation generally). There is today less support than in 1972 for highway or airport construction.

A substantial majority—60 percent—want improvements in the quality and availability of rail passenger travel. This percentage is up from 54 percent in 1972. A majority of those polled want the federal government to spend *more* to get these improvements.

The Harris poll found that a major reason for the increasing support for mass transportation—including intercity and commuter rail transit—is the perceived future shortage of energy, a problem that must concern us all. The automobile is convenient and the airplane saves travel time, but on a per-seat-mile basis both consume inordinate amounts of fuel. The bus and the train are our most energy-efficient modes. Assisted in large part by our massive national investment in the interstate highway system, the bus can be more efficient than the train in moving smaller groups of passengers. But with our new high-capacity equipment, moving large numbers of people, Amfleet trains can provide the maximum fuel efficiency of *any* intercity mode of travel. (Chart attached.)

Earlier, I said that in terms of the original Congressional intent, Amtrak should, despite its critics, be considered a success. Amtrak has succeeded in bringing back passengers lost to other forms of transportation and bringing on board a whole new generation who are discovering the advantages of train travel. If we had more train-miles we would have more seats to sell, and with equipment and schedules reliable enough to advertise, we can sell them. To date, Amtrak has been equipment-limited, both in terms of quality and quantity. Progress is now being made. If we had more services over which to spread our fixed costs—the overhead—the revenue-to-cost ratios would be better.

Our critics can point to only one “failure”. That is our need for subsidy. If it had not been for inflation—an unpredicted double-digit inflation—our financial position would today be much better. This inflation, which was not foreseen in 1971, was beyond our control.

Our critics neglect the effect of inflation and they also neglect the fact that in our nation's history there is no mode of transportation that has even become established on a continental scale without substantial government support, whether it be by direct appropriations, funding for public works, the power of government to shape by regulation and law the very growth patterns of our land, or by the use of the coercive power of eminent domain. These subsidies—or supports, call them what you will—also tend to continue for the other modes, although they may be modified over time as one mode or another gains strength.

In Amtrak's case, the need for subsidy was not to assist in the development of a new form of transportation. Rather, it was to resurrect one, operating over right-of-way long neglected by national policies assisting other modes. And resurrection is the right word. Passenger train service was so near death that the distinction is academic.

As I told the legislative committee in the Senate, we have not developed detailed technical comments on every provision in the legislation being here considered. The Amtrak Board at its March meeting considered the provisions in H.R. 11493, that they appear to be most constructive in intent. I have been authorized by the Board to continue to work cooperatively with the Congress and this Committee in the further development of this legislation.

The Board supports either of the approaches offered in the legislation introduced by Senator Long or Chairman Staggers (Section 3 of H.R. 11493) to better define the tasks and readjust the time periods for development and review of the Department of Transportation's “zero-based” systemwide route study. We think it will be helpful for the question of resubmission of revised recommendations to be clarified.

Although there were several dissenting votes, the Board also specifically approved the principle in H.R. 11493 that the recommendations that are adopted by Congress be done so on an affirmative vote of the full House and Senate.

AUTHORIZATION LEVELS

We appreciate that the amounts authorized for operating and capital funding are in accordance with Amtrak's most recent Five Year Corporate Plan as presented to the Congress and the Administration in October. I have been specifically authorized by the Amtrak Board to seek the funding specified in the plan, which was carefully developed. I should add that we can justify every dollar requested for capital improvements either in terms of improved service, continued reliability of service, compliance with health or pollution requirements, and more efficient operation of the sort that can reduce operating losses by improving productivity. Further, these plans were conservatively developed under an assumption that there would be no energy crisis forcing wholesale public shifts to public transportation modes.

The operating funds request is an estimate based on the assumption that Amtrak will continue to operate all routes and basically the same services to the public that we are operating today. That is, train-miles operated will remain about the same through the period of Fiscal Year 1979. Parenthetically, I think I should add that Amtrak will require an additional supplemental appropriation to continue present services through the current fiscal year (FY 1978), as we have been instructed to do by Congress, although no additional authorization is needed for the additional FY 1978 funding.

The request for operating funds authorization has been put at \$613 million, the amount in H.R. 11493.

Earlier I mentioned the inflationary impact on Amtrak's operating needs as well as the costs of added services. Since 1971 service additions have been substantial. We now have 36 routes compared to the 21 Amtrak began with in 1971. All but one of these additions were required by law or legislative history. We also now have the Northeast Corridor. Even state financial support of a route also adds to our deficit funding requirement.

For another thing, we always have to come up here and present our figures stated in current dollars. The impact of inflation on Amtrak's financial needs, because we began in a deficit situation, has not been sufficiently understood. Had there been no inflation or erosion of the purchasing power of the dollar since 1971 Amtrak today would be much closer to breaking even on its train operations.

We can calculate back and restate what our operating request would be in 1971 dollars: In 1971 dollars we would be seeking approximately \$180 million for FY 79 operations instead of \$613 million. We have done this calculation conservatively using the transportation component of the Cost-Price Index to deflate revenues and the higher Association of American Railroads railroad operating cost indices for our deflated cost requirements. It should be noted that this restated subsidy requirement of only \$180 million in 1971 dollars includes the costs of all the added routes and services since 1971, including the added costs of assuming full operating responsibility for the corridor.

Compared to the value of the first dollar appropriated for Amtrak support in 1970, Amtrak—with the new equipment and other capital improvements we have been able to make—is now delivering better and more transportation to the American public per dollar of public funds than ever before in our history. And we are on an upward curve.

Amtrak's request for capital-improvement funding in FY 79 is \$341.4 million. This includes funding for rolling stock (cars and locomotives), maintenance facilities, stations and other facilities, and right-of-way work. I also note that H.R. 11493 would also authorize another \$25 million grant to be applied toward reduction of our guaranteed-loan indebtedness, which will save interest expense, and which we also strongly support.

NORTHEAST CORRIDOR PROBLEMS

If I may, Mr. Chairman, I would like to comment briefly on several of the points raised by Mr. John M. Sullivan, Administrator of the Federal Railroad Administration, in his earlier prepared testimony before the Senate committee. Mostly, we find Mr. Sullivan's positions to be reasonable, responsible, and constructive. I ought to add that the change in administration at the Department of Transportation has resulted in a remarkable improvement in our ability to work together, and public benefits are already flowing from this.

However, we must respectfully disagree with two of Mr. Sullivan's suggestions. One is that the Secretary of Transportation be given control over the design and procurement of new trains for the improved Northeast Corridor service. We are to be the operators and maintainers of this service. At one point we were also to be responsible for the design and construction of the improved physical plant. The logical position was that the success or failure of the whole project, even in relative terms, would be measured by the public track improvement program would also be the major key to the success of the track improvement program would also be the major key to the success of the whole operation. It was felt that the operator—Amtrak—should also be held responsible for the improvements on the principle that responsibility should not be divided.

Faced by a hostile administration, we lost part of this argument, although with the help of Congress we managed to retain considerable control over what was actually to be done on the "live railroad".

Now, faced with a new proposal for divided responsibility, we can see no reason to divorce the responsibility for the design of the new-generation equipment from the responsibility for operating it successfully—and for keeping it running. Although it was an earlier and younger department that gave Amtrak the Metroliners—a fleet that still requires extensive rebuilding in order to finally gain operational reliability—and the United Aircraft Turbo-Trains, which are now out of service entirely—Amtrak has in the last seven years been doing a great deal more design and procurement of intercity rolling stock than the department. We've made some mistakes, to be sure, but that has put us further along the learning curve. I think the essential argument is that we are to be the operator so we should have the final say on what is to be purchased and maintained. Any other course is asking for buckpassing.

The other point of disagreement with Mr. Sullivan's Senate testimony concerns the need for immediate service (as provided for in Section 8 of H.R. 11493) to resolve the overhead highway bridge question. There simply isn't time for a bureaucratic study. If the Department would study the physical condition of some of these bridges instead of worrying about the lack of clarity of some of the real-estate titles, I think there would be a clear understanding of Amtrak's position on this matter. If the Department was today facing the potential liability of running crowded Metroliners under some of these unsafe bridges at 105 miles per hour we suspect they would favor the fastest possible enactment of this section. This liability is of serious concern to us.

SYSTEM CHANGES

I think I should advise the Committee at this point that we are presently holding schedule changes to a minimum, but there are a few that we will be making in our April 30 timetables, when the change to daylight time takes place in most states. The schedules for the Empire Builder and the North Coast Hiawatha trains are being changed, for example, based on the fact that the schedules we are now running are not being well received by the public, especially in the intermediate cities. We understand that the general Congressional intent during the recent debate on the supplemental Amtrak funding was to essentially "freeze" the system pending the completion of the DOT "zero-based" route study. However, we do not interpret this intent to mean that we should not plan limited schedule changes designed to improve service, and I think most Members would agree that if we can see a way to give better service to more people we should go ahead and do it.

We have a limited number of changes programmed for parts of the Northeast Corridor service, and I have a summary of these I would like to submit as an attachment to this statement. Needless to say, we have been keeping in touch with the state and regional transportation authorities on these adjustments. Some of these changes have been suggested by the states, and they have been reviewing all of them with us.

Mr. Chairman, at the beginning of this statement I said I wished to speak out on some matters of general policy concerning Amtrak's role in a national balanced system of passenger transportation. Recently we were asked by the Chairman of the full Committee, Mr. Staggers, to comment on other legislation (H.R. 11089) recently referred to this Committee, which would completely revise and restructure Amtrak. We have given this proposed legislation considerable study and our detailed comments are being supplied as an answer to Mr. Staggers' letter.

But let me say here that the approach taken in H.R. 11089 stands in considerable contrast to the approach taken in the bill introduced by Mr. Staggers, H.R. 11493, and cosponsored by many members of this legislative committee. The Staggers bill is evolutionary—it builds on what has been achieved, yet offers constructive possibilities for change. H.R. 11089, by contrast, offers a radical approach. It would eliminate a board of directors carefully structured by this legislative committee to provide for a majority of public representation, including consumer representation, by persons of high caliber from different walks of life and different regions of this nation, who are Presidentially appointed with the advice and consent of the Senate. H.R. 11089 would replace this board with a triad of officials with time for only marginal interest in Amtrak. And, although it does not say so directly, this legislation only contemplate discontinuance, not route additions or changes. Under it, implementation of mandated route changes would by law have to be completed within only 60 days.

The purpose of H.R. 11089, as anyone may understand it, is admirable. It is, to put it simply, to save money. The purpose of Mr. Staggers' legislation, H.R. 11493, is also admirable, but more complex. It is to save passenger train service as a national system and serving all regions of this nation. The question of costs is not to be neglected and it is not neglected in the Staggers bill. It is proportionate to need and to moderate service growth such as the taxpayers and the voters of this nation want. It provides for the capital improvements to make rail travel an even more desirable as well as more efficient travel option. And it does so well within an expenditure range that this nation can afford.

And then, as I said, there is the matter of proportion. Even in this bill, we are not talking about a \$3.2 billion Westway down one side of an island along the Hudson River, or, for our operations deficit, less than one half of a Trident submarine. But we *are* talking about a coast-to-coast and border-to-border system that all Americans can use—and afford.

Before I conclude this formal statement I would like to again mention our record this winter compared to last winter. I think this shows how far we have come in a short time. The winter a year ago was a disaster for Amtrak, as it was for all the other modes of travel. Beyond the usual problems with snow, we had locomotive problems, steam lines freezing, water mains breaking and flooding and turning a whole car yard in Chicago into a lake of ice, and in Buffalo nothing was getting through.

This winter we have had some trouble in the Midwest, but nothing like we had last winter. We had one train, the Floridian, get badly stuck in nine-foot snowdrifts in Indiana, but on the whole our trains were getting through—often not on time, but getting through.

This year, Buffalo and Chicago were spared—relatively—but the big disaster was the record-breaking blizzard that paralyzed all of New England. All other forms of transportation came to a complete halt—even the Boston trolleys were stopped for a time—but every scheduled Amtrak train got through. And then we added some special trains. Trains made special stops to pick up stranded motorists and distribute emergency supplies. Amtrak stations were kept open around the clock as shelters. At one point the Providence station became the home-away-from-home for more than 400 people. On behalf of the Amtrak employees who served above and beyond the call of duty—some did not get back home until four days after they had reported for work—I would like to say here that I am proud of them and I am proud of Amtrak, and proud of how we've done this winter.

Mr. Chairman, this concludes my prepared remarks today.

ATTACHMENT

APRIL 30, 1978, NORTHEAST CORRIDOR SCHEDULE CHANGE SUMMARY

Effective April 30, 1978, a limited number of Northeast Corridor schedules are to be adjusted to improve service.

A new Boston-Washington schedule of approximately 8 hours will be established using a convenient 15-minute cross-platform transfer at New York between Metroliners (for travel south of New York) and Amfleet (for travel north of New York). This will be based on present schedules but will entail special handling at New York. Passengers will save approximately one hour traveling time. There will be one service daily in each direction.

Certain local Philadelphia-New York trains will be combined with local New York-Boston trains to produce new and faster Philadelphia-Boston through services. There will be three daily schedules in each direction.

A new Washington-New York train will be added, leaving Washington at 8:10 a.m. Monday-Saturday. This fills the present gap in morning conventional train departures from Washington.

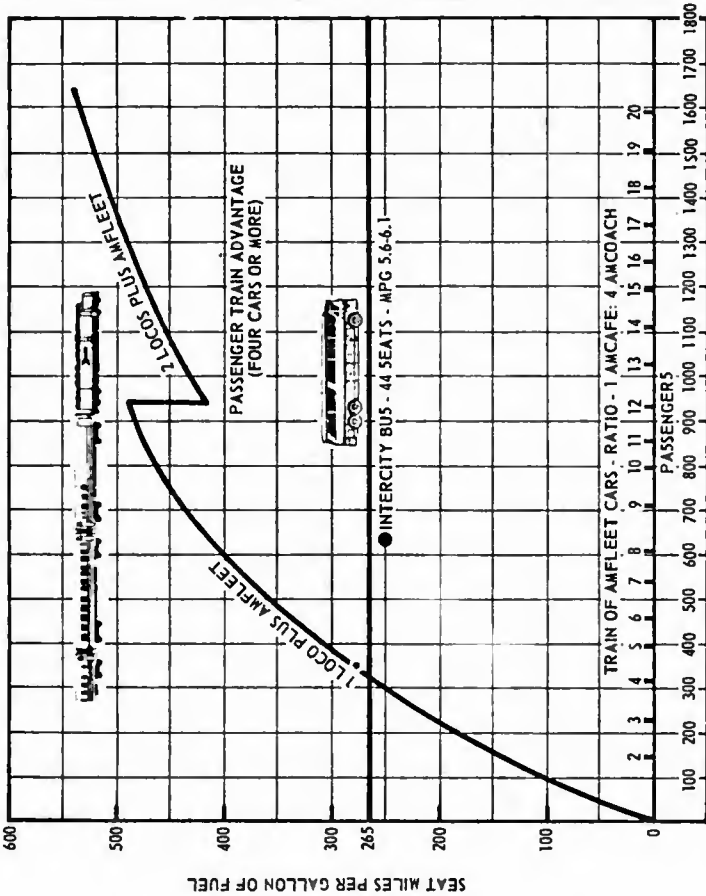
A new New York-Washington train will be added, leaving New York at 4:00 p.m. Monday-Saturday. This fills the present gap in afternoon conventional train departures from New York.

At the request of the states, the "Clamdigger", which now provides Monday-Friday service between New Haven and Providence, will be extended to Boston on a new schedule and will operate six days a week instead of five.

Other improvements, which consist of combining present trains or slightly altering service patterns will also be implemented.

In order to establish the new services shown above, the train miles from nine lightly patronized weekend trains were transferred for use to 16 new and more marketable weekday trains. Even with this transfer, an additional 1,120 train miles per week will be added.

RELATIVE FUEL EFFICIENCY **Amtrak Amfleet Trains vs. the Intercity Motorbus** A comparison at 50 mph



BUSES	PASSENGERS	AMFLEET CARS
38	1800	20
36	1700	19
34	1600	18
32	1500	17
30	1400	16
28	1300	15
26	1200	14
24	1100	13
22	1000	12
20	900	11
18	800	10
16	700	9
14	600	8
12	500	7
10	400	6
8	300	5
6	200	4
4	100	3
2	50	2

● AMERICAN BUS ASSOCIATION CLAIMS "A FULL BUS PRODUCES 265 PASSENGER MILES PER GALLON".
 ARTHUR D. LEWIS, MANKATO UNIV. MINN. NOV. 17, 1977



Mr. ROONEY. I appreciate very much that very comprehensive statement.

At the outset, you stated that Amtrak has reached a turning point. I wonder if you could elaborate on this because, in your testimony, you said you don't expect to turn a profit and also, that passengers are not increasing in proportion to the number of additional trains. So, I wonder if you would tell the committee where the turning point is.

Mr. REISTRUP. Mr. Chairman, I was referring to looking at Amtrak from the ground up, from the zero-based study, the restructuring study, and in effect, recharting our course from that point. We have a pretty solid base of experience to build on, with the exception that we have not seen what the new equipment will do in the far West. We will learn that this summer.

We are also at a turning point on one other matter, in the heavily traveled trains in the East, such as between New York and Florida; Chicago to Washington, and New York. These two routes have no new equipment and none is being provided at all. In our capital request, we propose to get started on that.

It seems terribly unfortunate to me to be running these heavily used trains with ancient equipment, and as we are unreliable, and it brings on complaints.

That is part of this whole restructuring exercise, but I think it is part of the turning point if we are going to continue to run these services.

Mr. ROONEY. In the conclusion of your statement, you talk about your successful record during the blizzards. You say:

This winter, we have had some trouble in the Midwest, but nothing like we had last winter. We had one train, the Floridian, get badly stuck in 9-foot snowdrifts in Indiana, but on the whole, our trains were getting through—often not on time—but getting through.

This year, Buffalo and Chicago were spared, relatively, but the big disaster was the recordbreaking blizzard that paralyzed all of New England. All other forms of transportation came to a complete halt—even the Boston trolleys were stopped for a time—but every scheduled Amtrak train got through.

Who cleaned the tracks for Amtrak in that area?

Mr. REISTRUP. On the Amtrak-owned properties, Amtrak did, sir. We actually ran snowplows. We paid for them, particularly the Springfield line, where we run self-propelled, light-weight diesel cars. They could not run without plowing.

Normally, a locomotive pretty well plows its own right-of-way. Each locomotive has a sort of snowplow on the front called a pilot, technically, and with frequent train operations, we keep the railroad clear, just by running the trains.

We have to remove snow from station platforms and steps. Amtrak pays for that. That cost about \$5 million this year. That is rough.

Mr. BRAZIER. That is for the Northeast corridor. That extraordinary expense level was a result of the winter storms.

Mr. REISTRUP. The operating railroad, whoever it may be, pays for it.

Mr. ROONEY. Mr. Reistrup, I wonder if you are satisfied with the new Amfleet equipment.

Mr. REISTRUP. In general, yes, sir. We have had very, very few problems. In all of the problems, the manufacturer, the Budd Co., has stood behind the warranty and corrected them. One was the chemical toilets, and we have tried six or seven models of those, and it looks like they are more successful.

We had a brake disc situation develop only in the winter weather, and the manufacturer stood behind that. These cars are very well liked by the public. They are supposed to be a short-haul type car. They are metroliners without motors.

But we have been using them on long-distance runs; Chicago to New Orleans, Washington to Chicago, and we go to Montreal with them now, which is sort of stretching it, and with the Palmetto, which the Congressman from South Carolina mentioned.

They are fine cars. I wish we had more of them.

Mr. ROONEY. When these were ordered, I understand you anticipated a 10 percent out-of-service rate.

Mr. REISTRUP. That is correct.

Mr. ROONEY. I understand today, it is between 30 and 35 percent out-of-service.

Mr. REISTRUP. This is due to the brake problem.

Mr. ROONEY. I would like to have you account for this.

Mr. REISTRUP. When we have anything wrong with the brakes, we take them out of service. Safety is something we don't flirt with. They are being corrected by the manufacturer and put back in service.

Mr. ROONEY. In your testimony—I don't know where it was—but you alluded to the fact you have a good record in the design field, that you played a prominent role. That doesn't seem to be a prominent role, to anticipate 10 percent out-of-service and you are now at 30 or 35, and you blame it on the brakes. I think it should have been anticipated even before you accepted the orders.

Mr. REISTRUP. Mr. Chairman, we still don't know what is causing this. It has something to do with the metallurgy, the brake disc and the low temperature, when it gets down below zero.

We have had no problem with any of those cars between San Diego and Los Angeles or between Bakersfield and the bay area, or from Portland to Vancouver. This isn't an Amtrak design problem. We specified the brake properly. The manufacturer has to meet those specs. We do not, in fact, tell them how to build the equipment, and so forth. It is largely a performance problem.

Mr. ROONEY. Something must have happened, when 30 or 35 percent are out of service, whether it is brakes, toilets, or whatever.

Mr. REISTRUP. That is true. I am saying it is in the manufacture, and they are under warranty.

Mr. ROONEY. Who designed the cars?

Mr. REISTRUP. Amtrak put in a basic design, which is called a performance specification, and outlined a lot of what we desired. The manufacturer actually engineered the car. This is true also on the Pullman order.

Mr. ROONEY. Who is paying for the retrofit?

Mr. REISTRUP. The manufacturer. As I said, they are standing behind it on a warranty basis.

Mr. BRAZIER. The out-of-service statistics are not that high. However, the average this fiscal year is 15.6 percent for the full year. Last year, it was 13 percent. So, that is our objective, 10 percent, but that percentage point, one way or the other, is not a major deviation. The highest I can see that we have reached, the maximum point was about 23 percent, roughly.

Mr. ROONEY. It is my understanding, and I got it from a reliable source, the manufacturers—and I am talking about the three primary manufacturers that you deal with—and they invariably come back to Amtrak and say, this is not the design that is going to make that car stay on the track, and invariably the response from your engineering department is, you do what Amtrak has designed.

Mr. REISTRUP. I would like to have them come here and testify on their word on that and we will have a dialog.

Mr. ROONEY. The gentleman from Kansas is recognized.

Mr. SKUBITZ. Mr. Reistrup, on page 8 of your testimony, you say, "We can calculate back and restate what our operating request would be in 1971 dollars." You mention \$180 million. In other words, if the dollar were stable, you would be asking for \$180 million and not \$613 million; is that correct?

Mr. REISTRUP. For today's level of service, not the 1971 level of service.

Mr. SKUBITZ. That is about a 300-percent increase, isn't it?

Mr. REISTRUP. Yes, sir, roughly.

Mr. SKUBITZ. Do you think inflation has gone up 300 percent from 1971 to today?

Mr. BRAZIER. There are two adjustments in that, Mr. Skubitz, excluding the added operation and the ownership cost of the Northeast corridor. We are comparing the 1971 operation, when we did not own the Northeast corridor, with the operation today. We have deflated the numbers, using the American Association of Railroad's statistics concerning yields and revenues, and this is the result of that calculation. The answer is yes, sir.

Mr. SKUBITZ. Let's go to another point. I think Mr. Reistrup, you spoke to the \$40 million that was given to you in 1971. Did you also receive \$180 from the railroad industry that year?

Mr. REISTRUP. Yes.

Mr. BRAZIER. It was close to \$197 million.

Mr. SKUBITZ. So, if we added the \$180 million to the \$40 million, we would have really \$220 million.

Mr. BRAZIER. Those payments were made over a period of time.

Mr. SKUBITZ. If you have the same \$220 million, and compare that with today's money, we gave you more money then than you are asking for now. Do you think we are niggardly in our appropriations?

Mr. REISTRUP. In capital, we have had a shortfall, particularly in the last several years. We have not in the operating support. If we are going to have an ongoing Amtrak, we have to have relatively more in capital than in operating support.

Mr. SKUBITZ. You talk about the \$40 million. I felt rather ashamed we were treating you that way. When we had the railroads on, I find we did better then than you are asking us to do today.

Mr. REISTRUP. Mr. Skubitz, if I may, that \$40 million was capital and that is under-capitalization. We are mixing the capital and operating funds together.

Mr. SKUBITZ. What was the \$180 million?

Mr. REISTRUP. Strictly operating. The capital, you see, in 1971, wouldn't provide for many locomotives or cars. It was assumed that Amtrak would run with the old equipment that the Nation had.

Mr. SKUBITZ. If we had given you more money, could you have used it at that time?

Mr. REISTRUP. Yes, we could have. At one time, my predecessor said he might not have been able to use it, but we would have been able to use it.

Mr. SKUBITZ. I am sure you could have used it for something. Could you have used it wisely?

Mr. REISTRUP. Yes, we would have had a more gradual inception of the new equipment and had a better learning curve.

The western equipment would have been onstream. The passenger-car-building industry stopped at about 1956, and we really didn't get it cranked up again until about 1975. Had we started in 1971, we would have gained a couple of years.

Mr. SKUBITZ. What is bothering me is, do we want to move much faster since you are operating at a loss. The more trains you put on, the more we are going to lose. So, I am not sure we want to move in that direction.

Recently—I think in the last 4 or 5 months—the Milwaukee Railroad filed for bankruptcy protection; is that correct?

Mr. REISTRUP. Yes, it is under chapter 77.

Mr. SKUBITZ. They turned to the brotherhoods and said, "All right boys, we are going under unless we get together and work out some rules." There is this 100-mile rule. Was there any agreement reached with the brotherhoods then to cut down the sizes of their crew and also do away with the 100-mile rule, or not?

Mr. REISTRUP. As I understand it, Mr. Skubitz, there was a considerable improvement and modernization in the agreement reached.

I do not have before me yet the final details. The last I heard, last Friday, was that the final document was being typed out, but we have agreed in principle. It is my understanding it involves crew size; that is, the crew consist as well as the basis of pay, which has to do with the 100-mile rule.

Amtrak, of course, operates by contract with the railroads so any benefit accruing to the railroad would benefit us. Our labor relations officer is keeping on top of this.

It is probably getting close to the point, and we ought to show more initiative. But we did not want to upset the negotiations going on, such as at the Milwaukee.

Mr. SKUBITZ. I think the Milwaukee cut theirs from 5 down to 3 and the 100-mile rule went out of the window. They are not working for Uncle Sam. It is about time Amtrak started doing something about the rate of pay, the size of the crew and these sorts of things.

Mr. REISTRUP. Yes, sir, Mr. Skubitz, I think that timing is being handled appropriately at this point.

The railroads are the ones, as you know, that have the contract with these operating organizations. Since they are in negotiation, we thought that process should grind out. We are keeping abreast of it and we should get in our licks at this point. We hope that it is settled within a month or so.

They are still negotiating. I couldn't agree with you more.

Mr. SKUBITZ. Are you still paying 3 days' pay for 6 hours of work, from here to New York, or not?

Mr. REISTRUP. We pay, more accurately, about $2\frac{1}{4}$ days for 3 hours' work.

Mr. SKUBITZ. You have been a little hard-nosed today on some other things. I would suggest you start looking at some of these things in order to cut down costs. I am in favor of paying these fellows, but when you are in a state of bankruptcy, which the line is, you shouldn't depend on Uncle Sam to subsidize it. I suggest you start doing a little arbitrating with the brotherhoods on this point.

You heard Mr. Jenrette speaking of the mailcars making up a few bucks. What have you been doing in that area?

Mr. REISTRUP. Mr. Chairman and Mr. Skubitz, we have been trying to improve our mail revenues and mail handling. Personally, I met with the former Postmaster General, and with our head of marketing, who handles this mail business, and Mr. Bailor. I have had a nice, informal conversation with the now Postmaster General.

It is my understanding he is the first professional in about 30 years in that job—

Mr. SKUBITZ. That wasn't one of those three martini luncheons, was it?

Mr. REISTRUP. This was a Sunday afternoon affair. He was confirmed about 3 weeks ago, or something like that. That is a big job. I will submit to you that before this month is out, I will get together with him.

We took the initiative on our working together better yesterday. Our first experiment from here to New York of the handling of first-class mail on the Amfleet in little containers—it is a form of a container—took place last year, the fiscal year which ended September 30. We were up 40 percent in rail revenue over the previous year. That is a big improvement.

One of the limits is space to handle it. We have been giving priority to people cars rather than to baggage cars. They are still baggage cars that we handle the mail in, and I think properly so.

I think we ought to do a lot more. I think the mail service will benefit and Amtrak will benefit from the revenues. A wild guess of what we anticipate to be doing would be \$50 million in mail service rather than \$14 million.

Mr. SKUBITZ. I believe the chairman brought out the point about connecting these distribution centers. Doesn't Amtrak go into most of the distribution areas?

Mr. REISTRUP. We do go to many of them, but there are some of those parcel post sectional centers out a ways now, so there would be trucking movements.

Mr. SKUBITZ. Would it be handled mostly in terms of first-class mail?

Mr. REISTRUP. First-class mail should be no problem. Generally, they are handled by a local person anyway, either a contractor or a part-time farmer.

Mr. SKUBITZ. Is it right to say that actually you could handle first-class mail and the mail other than parcel post, which would result, really, in a savings to the Post Office Department, and be additional revenue for the railroads?

Mr. REISTRUP. There are opportunities for us to do this, but I wouldn't say there is *carte blanche* everywhere, in every place.

The Post Office went on the approach of bidding everything out and getting off the passenger trains. After all, the passenger trains were disappearing and in many cases, I know some of the railroads wanted the mail off the train so they could justify a discontinuance by showing a big loss.

Mr. SKUBITZ. I know that. I can remember, Mr. Reistrup, the days on the railroads when there was a threat they were going to lose a mail contract, and all at once, they gave up on it, but the purpose of it was to show loss of revenue.

Mr. REISTRUP. It is hard to turn a post office around when you have had that sort of approach. I think the attitude is correct on the part of the Postmaster General and myself.

Mr. SKUBITZ. On another point, the upkeep of the roadbeds, are the railroads cooperating with you on that sort of thing?

Mr. REISTRUP. Mr. Skubitz, I testified at some length before the National Transportation Safety Board on this issue and I would be glad to furnish this committee, or you personally, with a copy of that. I feel that the desire is there on the part of the railroads but the where-with-all is not, in many cases; the Milwaukee being a good example.

When I was a kid, the Milwaukee had an operation that allowed a 6½ hour trip from Milwaukee to the Twin Cities. Today, we are lucky to make it in 10 hours, or maybe 11. That is tough to market.

The Milwaukee would like to have better track. They asked for Federal support to get it, and went bankrupt, but they got—

Mr. SKUBITZ. I don't think the Milwaukee, or any other line, should assume the course of trying to build a roadbed to give us first-class passenger service trackage. I think their responsibility is to take care of the roadbeds to carry the freight. I think, in turn, Amtrak, or the Government, ought to be subsidizing in order to meet the additional cost, to bring roadbeds up to a place where passenger trains can operate on them efficiently. Do you agree with that or not?

Mr. REISTRUP. Mr. Skubitz, I agree with that philosophy. We do have a contract with the railroad to keep the track in 1971 condition. We both signed. A contract is a contract.

I feel that that 1971 level—

Mr. SKUBITZ. The Milwaukee goes broke; then what happens to your contract?

Mr. REISTRUP. As with the Penn Central, they don't live up to it.

Mr. SKUBITZ. They have suffered the same rate of inflation we have suffered. Perhaps we ought to take another look at these contracts in order to get these roadbeds up to par.

That is all I have, Mr. Chairman. Thank you.

Mr. ROONEY. Mr. Florio?

Mr. FLORIO. Thank you, Mr. Chairman.

Mr. REISTRUP, to what degree are you privy to the deliberations of DOT coming up with the final plan? Are you involved? Do you know what they are doing?

Mr. REISTRUP. Mr. Florio, this is an interesting question. I am, of course, the chief of this operation. I know what our staff is doing. I and my staff are under the very tight reins of the boards of directors.

This is a Department of Transportation study and we are to support it. That is the way the language was written. We are doing that. We provide the information—both marketing and also cost information.

There is a dialog going on constantly, and I think a lot of our ideas have gone into this study. In fact, the FRA staff is physically located within the Amtrak planning department. We provided office space. Specifically, I have been requested now, in writing, to act as sort of a consultant, because of my experience in the passenger field over the past 14 years, both of the routing structure, physically, and the trackage; the feasibility of some of the changes they are talking about; and also, the markets. I have not yet done that. I think it is early next week that I am to meet with them.

My board authorized that dialog, but without Amtrak officially being represented. I do know that there are at this point—it is my understanding there are now seven so-called scenarios. At one time, there were nine. They go all the way from the Northeast corridor only, all the way up to an expanded system above and beyond what we have today.

Mr. FLORIO. You are indicating to me we have a generalized knowledge of the scenarios. I have a specific outline of what the scenarios are and what they are supposed to do. I assume you have the same information as I have. The answer to my question is yes, you are privy to what is going on and know what at least the seven scenarios that are coming out are going to be; is that correct?

Mr. REISTRUP. Let me word it my way. I know what is going on. I don't know what they are going to come up with May 1.

Mr. FLORIO. Obviously, May 1 is not here. Do you know as much as they know at this point in each of the scenarios?

Mr. REISTRUP. I do not. I have never met with the group. I have never met with the Board's committee supervising the restructuring cooperation specifically to discuss it.

Mr. FLORIO. Someone from your office knows what is going on, at least in having the seven scenarios that are apparently going to be the framework within which the recommendations are going to come. It is our understanding from DOT they would present the seven scenarios and make a recommendation as to which is preferred.

Clearly, at this point, nobody knows—that I know of—what the preferred scenario is. My question is: Was your 5-year plan put forth with an awareness of those seven scenarios or was that done before any of this evolved?

Mr. REISTRUP. It was done before any of this evolved. It is about 1 year old. We requested this type of study, or suggested it. We did

have some suggestions in our 5-year plan, if you read the dialog, that will turn up—the scenario connecting Cleveland and Pittsburgh, for example, I am sure would be a popular one. We serve both cities, but you can't get between them today.

Mr. FLORIO. In as much as we don't know what the ultimate recommendation is going to be for the proposal, do you think there is any merit in going forth with funding just to the end of this year, because that is when the plan is supposed to be approved, after the public hearings, and at that point, making a determination as to what the system is going to be—assuming Congress takes the appropriate action, or inaction—and then to try to finance a system as opposed to trying to finance your 5-year plan or any variation of it when we don't know what the system is going to be. Does that seem to be good, common sense?

Mr. REISTRUP. You have put your finger on a difficult situation. We have to be funded to operate what we are operating today. The question is, when will it change?

Mr. FLORIO. It cannot possibly change before the middle of next year. By the time the plan is finalized and then some congressional action takes place—we are not talking about the system being on line, whatever the system may be, until the middle of next year.

It seems that is the appropriate time to decide what is needed to fund that type of system.

Mr. REISTRUP. That is correct. In the meantime, we need enough money to run what we are running today. What do we do about the other 9 months of the fiscal year?

Mr. FLORIO. I am willing to accept that.

Mr. BRAZIER. That is correct. We only need the money to run the system that we are running.

Mr. FLORIO. When will we get a new system presented to us?

Mr. BRAZIER. The only contingency is if we proceed on a 9-month funding for fiscal 1979, and the plan takes longer, then we are faced with—

Mr. FLORIO. You will come back to us, as you have come back to us in the past.

Mr. REISTRUP. I would suggest that in the Northeast corridor, we are handling 12 million to 14 million passengers a year in that corridor.

Mr. FLORIO. Isn't there a consideration with regard to the types of cars? It is my understanding, because of the tunnels, you can't use certain cars, and so that may be a consideration in terms of the final plan.

Mr. REISTRUP. That portion of the capital, which is about \$156 million of the request, should be treated separately.

Mr. FLORIO. The McFall bill talks about a different board of trustees or board of directors—actually a 3-man board. Do you have any authority or advisability of going that way to provide greater centralized control?

Mr. REISTRUP. Mr. Florio, personally, I think that is a cosmetic change because today, the ratio of public representation on the board is about the same. The presidential appointees on the board are in the majority. Three railroad directors are helpful to have,

technically. I am an ex officio member, as is the Secretary. So, the proposed change, I think, is cosmetic, as I mentioned.

My concern, as I pointed out in the written statement, is those people would be part time—the Secretary of Transportation, the Secretary of the Treasury—so would our directors. But our present directors spend a lot more time on it than either of the secretaries could.

Mr. FLORIO. For a while, you couldn't even get a quorum.

Mr. REISTRUP. We couldn't get people appointed—we had unfilled vacancies. We have directors spending a lot of time—sometimes the dialog gets almost like one of these committee hearings, where they are not always in agreement. We are having long committee meetings now. The three new directors have a learning process to go through.

I think it is important to come in with consumer input, and I don't see that in Mr. McFalls' proposal. Three of our directors represent the consumers. They are doing a good job of it.

Mr. FLORIO. Do you think this would facilitate a high degree of cooperation of DOT, of having the Transportation Department come in?

Mr. REISTRUP. If cooperation means being under the thumb of DOT, I would say no. The Secretary of Transportation is already a board member. We have 99 percent cooperation with DOT, anyway. As I say in my testimony, we disagree only on two points. I think we could work that out.

All this proposal would do is make Amtrak an agency of the Government rather than, in effect, being an operating railroad. That is a change that I think would be rather significant. I know a lot of people with railroad backgrounds that have come as far as I have come in this sort of role, but would never come to be a part of the Government.

Mr. FLORIO. The GAO analysis of Amtrak's 5-year plan contains a table showing 1973 to 1977, Amtrak experienced a 32-percent increase in ridership, and a 70-percent increase in constant dollar expenditures—this is a projection for 1978 to 1982—Amtrak is projecting a 38-percent increase in ridership and only a 21-percent increase in expenditures.

How do you anticipate a tremendous revolution, or turnaround?

Mr. BRAZIER. The ridership increases are based on our best marketing experience. I expect those will be modified in our next 5-year plan, based on more experience.

Mr. FLORIO. You are saying 38 percent may be more realistic?

Mr. BRAZIER. Yes, it may be.

Mr. FLORIO. On what order of magnitude?

Mr. BRAZIER. I can't answer that question at this time, Mr. Florio. The cost increases are based upon the fact we have matured. In the prior periods, we did not have the full impact of the Northeast corridor.

Mr. FLORIO. Have you built into your projection the proposed decline? The Secretary has said we don't think they will meet the 1981 standards. Was that delay built into your projections? Would it be off by that variable, as well?

Mr. BRAZIER. No. It was not assuming we could not meet those standards. I did not know we had testified to that. You are speaking to the Northeast corridor improvement program.

Mr. REISTRUP. We thought we would still be following the law, which says we will be meeting goals in 1981.

Mr. FLORIO. The Secretary indicated to the Congress delay in the completion of the Northeast corridor is virtually certain.

Mr. REISTRUP. I have read that Amtrak, and, I believe, the Department is going to meet the trip-time goals, which are the key points of the 5-year plan.

It is our understanding, if anything is delayed, it will be those things that are stationary—the superstructures and niceties, other than the railroad tracks—and all the emphasis is going on things like electrification, signals, et cetera, to meet the trip-time goals.

Mr. FLORIO. I have one final question. It is a generalized question. I happen to be more enthused about Amtrak, but the GAO study has combined expenses and operating losses for fiscal 1977 on a route-by-route basis. The figures indicate, on the short hauls, Amtrak is losing an average of \$15 or 70 percent per person, when the comparable figure for the long haul skyrockets to \$64.70 per person. In your opinion, wouldn't the social benefits justify retention of the cost of longer routes in spite of the economic drain you represent? Wouldn't it make more money to channel the limited resources we have into those areas where they can be utilized more effectively, socially and certainly economically?

Mr. REISTRUP. It is a tough one. I will speak from the heart. You have to convert the loss per passenger to a loss per passenger-mile. When you get to the longer distance runs, even though those trains travel 2,200 miles and they don't carry most of the passengers that entire distance, the average this time of year will be about 600 miles for a western trip as compared with about one-third of that, about 200 miles, for the average-trip distance for the whole country.

I feel, from my own experience—and I have been in this passenger field for about 14 years—the people out in Montana feel that when the snow is up to their waist and although there aren't as many people out there, it is as important for them to get down the road to Missoula as it is for people from Boston to Providence. It is a tough one.

Mr. FLORIO. I am suggesting to you it is a hard decision we are going to have to make, and it is a hard decision you have to make. I would suggest that the GAO approach is going to have to be much more able to be accepted—the idea of evaluating cost-effectiveness of passengers per mile, and fuel efficiency.

The fact of the matter is, in a lot of areas, the railroads are not as fuel efficient as the motor carriers. We are going to have to build in the economic justification. I am not talking about the profits. I don't expect you to operate at a profit. We have to make that national commitment that we are going to have a system that is as effective as possible and that is going to roll, and that it is going to be subsidized.

I don't think that means we have to have the perfect system, that gets everybody everywhere they want to get. There is a point of

diminishing returns. I supposed we have exceeded that already. We have to realize—

Mr. REISTRUP. I support everything you have just said. I hope the restructure study and our review will lead the way to our being a lot more effective than we are.

Mr. FLORIO. Thank you.

Thank you, Mr. Chairman.

Mr. ROONEY. The gentleman from Illinois is recognized, Mr. Madigan.

Mr. MADIGAN. Thank you, Mr. Chairman.

I would like to follow up with a line of questions that Mr. Florio's last question invites.

On the 16 short-haul trains, according to the GAO, you operate at a total annual loss of roughly \$52 million. One long-haul train, New York to Florida, operates at an annual loss of \$66 million. So, that one long-haul train loses more money than all of the short-haul trains put together. If we can look at the system completely, the GAO reports that you have 35 trains, and that the operating loss for those 35 trains is \$317,969,000 for the period of time they looked at.

Seven of those trains are all in the long-haul category, or one-fifth of the trains that Amtrak operates lose \$200 million, in other words, one-fifth of Amtrak's fleet loses two-thirds of the money that you lose through operating expenses every year.

How in the world do you justify operating 7 trains out of a fleet of 35 that account for two-thirds of your operating losses?

Mr. REISTRUP. We are told to operate all of them. The Congress, in effect, has frozen the route structure and we voted for suspension of the operation of the Floridian. The board finally did it. It was to have been suspended January 19, and it was put back pending this restructuring study, Mr. Madigan.

Mr. MADIGAN. You said you want to discontinue it, but your people came up and you begged for the money to continue the operation of this train. What are you talking about?

Mr. REISTRUP. Mr. Madigan, I don't know who you are referring to, but our board had actually voted to suspend the operation due to the lack of funds, but it is part of the restructuring projection, the route service criteria was to reroute it through Atlanta. So, that particular train is a little more complex; do we or do we not run it, because had we gone to Atlanta, the loss would have been cut in half. I don't believe I testified to you on whether it should go to Atlanta or not. All I said was that many times—I am not ducking this, but I do want to caution you all this is a cost allocation system—we have a man to my left that has been doing this for years, and I tell you if you cut these seven routes, that that amount of money won't be saved because it is based on a formula rather than giving the actual effect—what would be saved if the trains came off.

I think the expert ought to testify on that.

Mr. FLORIO. Would the gentleman yield?

Mr. MADIGAN. I yield to Mr. Florio.

Mr. FLORIO. Mr. Reistrup, the fact you have not the authority to evaluate the route and service just isn't the case. You were charged with the responsibility to utilize the criteria to make an evaluation.

You have testified before that you didn't choose to do it, you didn't have the time, or whatever it was you said, but that is not the case. You say you do not have the authority to do it.

The difficulty is, you have not used the route-and-service criteria, and yet you announce you are going to terminate service. I don't think it is candid.

DOT has said you are not frozen into a system. Tell me I am wrong.

Mr. REISTRUP. We believe in the legislation as it stands today. If we are wrong, we would like to know that. I am speaking about this period during this restructuring study.

Mr. FLORIO. We are not talking about that. We are talking about the existing lines you are leasing and the route-in-service criteria.

Mr. REISTRUP. Mr. Florio and Mr. Madigan, we were doing that in management, and there were at least seven routes moving through the route-and-service criteria. At that time, you will remember there were a lot of people on that board—we went through all that. I really pushed that board as hard as a chief executive can do.

I work for them, by the way, and that is part of the reason I have made the personal decision that I have. I will tell you right now I am very candid about that. We tried to comply with the appropriations language that said \$488 million was cut and we were to make ends meet and to use the route-and-service criteria. In terms of the time it takes the board to vote and have hearings—it takes 6 months to do it. We did get one completed and we had five or six in part III of the route criteria process. We were right where we should have been when we stopped everything. We are on hold right now.

Mr. FLORIO. I thank the gentleman for yielding.

Mr. MADIGAN. Recently, I had an article from the Copley News Service which did a series on Amtrak, and an official of your organization said that the problems with Amtrak could be traced to the failure of the Congress to provide Amtrak with any direction.

I don't know that I am clear as to who has what responsibility here. I am under the assumption that you are the president of Amtrak and that you are charged with the responsibility of running this railroad system as efficiently and effectively as possible.

If the statement of your spokesman to the Copley Press is where you really are in your thought process, then, apparently, you want us to directly tell you which trains you should not operate. Is that a correct or an accurate conclusion?

Mr. REISTRUP. A more accurate conclusion would be that I, as chief executive officer, am working within the policy guidelines of the board which are consistent with the law or looking to the Department of Transportation and the Congress to tell us what kind of a system to operate.

I would say not, in effect, how to run it concerning the details, the routes, and so forth. The job of the chief executive officer is to run the operation consistent with those policies.

Mr. MADIGAN. If 13 short-haul trains lose \$52 million a year, and 7 long-haul trains are responsible for two-thirds of your operating loss, does that suggest to you, as an intelligent gentleman, that there is some consumer demand for short-haul trains and a marked absence of demand for long-haul trains?

Mr. REISTRUP. Not necessarily, because many of the long-haul trains have short-haul trips on them. It would have more to do with demographics, the location of the population. The short-haul trains happen to be around the larger cities with larger populations, around Chicago, Los Angeles, San Francisco, and are these types of operations.

The longer haul trains run through sparsely populated areas.

Mr. MADIGAN. Would Amtrak be more effective in the rail passenger business if it wasn't saddled with the business of connecting all these different communities across the United States in order to create and maintain this nationwide system?

Mr. REISTRUP. We hope this DOT restructuring study will give us the answer. I cannot answer today. We are testing it through the DOT restructuring study by the use of what are known as models—they are actually computer simulations—and Amtrak is participating in that. Also, the fact we have funded, so we could get it going, what is known as a cost model; that is, how much it would cost to run each train, not only to support that activity to the extent DOT requests it, but for our next 5-year plan for the benefit of this committee.

We will be able to go through these. The only one I have seen so far that is interesting happens to be the Broadway route, New York and Washington to Chicago, which happens to run through a more sparsely populated area in Indiana. The model says it ought to go through Cleveland rather than go through Fort Wayne. It looked at 77 possible routes—I didn't really know there were that many possible routes—and all the different railroads that could be involved in that New York to Chicago run. There were that many combinations.

We will be able to tell you a lot more when we are before you again. I plan, as long as I am here, to participate in that.

When DOT comes here with its restructuring study, I think we will be able to give you a lot of this information that is bothering you, and it is bothering me.

Do you have anything further to add, Don?

Mr. BRAZIER. No, I don't.

Mr. REISTRUP. What we have—I believe the GAO study is really an allocation of cost rather than a dynamic study. It states what the system we are operating today costs us. It is, according to the GAO, a fair representation of that.

The thing you need to be careful of is these costs of individual routes. They are mutually exclusive. If we take a route out of these, the numbers are good. If we take two or three of them out, perhaps the numbers are still good. But if you make a major change in the system, a lot of the so-called fixed costs become variable so that the ratios you see when you look at it, on a route-by-route basis, tend to change and you have to make a special study depending on the magnitude of the change you are going to make.

Mr. MADIGAN. Mr. Chairman, I have three more questions that I think can be answered very briefly.

Mr. ROONEY. The gentleman can have as much time as he desires.

Mr. MADIGAN. Thank you, Mr. Chairman.

Mr. Reistrup, do you agree that Amtrak should be specifically authorized to offer commuter service?

Mr. REISTRUP. I did, Mr. Madigan. Personally, I would like to defer to the Department of Transportation. But at this point, I would suggest it would be very specifically limited to situations where it makes sense—for example, we run between Providence and Boston. Our trains, as they go northward, Boston being the final terminal, unload. We get into a commuter area in that same sector, which is subsidized. Between Providence and Boston there is the MBTA service, and they are running a train for commuters that we could handle because we have plenty of room.

We do, in some instances, handle commuters because of a historical situation. Also, as a practical matter, we couldn't keep them out of our train. We stop at Newark, for example, and it would take an army to keep them off an Amtrak train. We do honor those tickets.

We, by law, are to be intercity and we have tried to not expand into the commuter service. Secretary Adams has proposed—and I support this—that we particularly look at those corridors as a system because we have subsidies going in through different avenues, and we want to get it together rather than precluding one from doing something the other might do.

I would turn it the other way around. I think an Amtrak intercity ticket ought to be honored on a commuter-agency train, just as a through ticket; just have it punched, and let the passenger get off at the next station for a metroliner, rather than have two tickets, and having him go to different ticket windows.

Mr. MADIGAN. Could I have a yes or no answer?

Mr. REISTRUP. I said personally, I support it in specific situations.

Mr. MADIGAN. When you personally support something, does that mean the president of Amtrak supports it?

Mr. REISTRUP. Yes. That does not mean that my board has asked the Secretary to determine what we ought to do. I will express a concern if we are to have a carte blanche Amtrak commuter service. We would be faced with providing certain Southern Pacific services from San Diego north and San Francisco south, for example. That would add this demand for money inasmuch as these services are now being totally subsidized by Southern Pacific.

Mr. MADIGAN. Speaking to the question of social need, which is something I am not at all sure I understand, on the assumption that a bus is more fuel efficient than a passenger train, when the loss to Amtrak per passenger on the long haul train exceeds \$75, and when a bus is operating on the same corridor at the same ticket price, would you agree that there is no social need for that passenger train, or that the social need is more than offset by the tremendous cost at \$75?

Mr. REISTRUP. I would say, based on my experience, the social need, as is indicated by the people, is for the passenger train to continue. Not that many will ride the bus for that long a distance. The average mileage on a bus is about 50 miles.

My estimate is the bus ride tolerance time is about 3 hours. We find on Amtrak, our tolerance time is about 5 hours. It is how long a person wants to sit on a train. It is sort of a threshold. It sort of

equals a coast-to-coast air time, which is interesting; how long a person would sit on one flight.

Mr. MADIGAN. That invites another question. I will apologize for going slightly beyond what I intended to.

Tolerance time is something new to me. I can't understand how you can speak of tolerance time, when a bus operating between here, Washington, and Chicago takes less time to make the trip than the train operating from here to Chicago.

What is this tolerance time business that you are introducing?

Mr. REISTRUP. That is what the marketing people have determined, through interviews, is the perceived notion of people—how long they will sit in a bus seat, no matter where it is going.

Mr. MADIGAN. This is my last question, Mr. Chairman.

This page from the UTU magazine is a publication dated April 1 of this year, reports on the agreement reached between the UTU and the Milwaukee Road. Obviously, that suggests that somebody has been capable of working something out. Has Amtrak made any attempt to work something out with UTU?

Mr. REISTRUP. We have, in specific cases, yes, Mr. Madigan. We have seen, as recently as within the past 2 weeks, much more of an attitude of receptiveness to those changes. We will pursue that.

So far, our improvements have been in specific cases rather than for the whole United States.

Mr. MADIGAN. In the Copley News Service Report, the quotation of the Amtrak official that the Congress is not giving Amtrak any direction, if that is a correct situation, I wouldn't want you to leave here without me giving you some direction, and that direction would be I think it is absolutely absurd for the taxpayers of the United States to pay for the operation of trains that lose more than \$75 per passenger tab.

Specifically, I think it is ridiculous for Amtrak to be operating one train that loses \$66 million a year and costs the taxpayers \$122.55 cents above and beyond the ticket price for everybody that rides the train.

As a member of this subcommittee, I want to give you the direction that I think Amtrak ought to come up here some time this year with a proposal to eliminate that kind of service.

Thank you, Mr. Chairman.

Mr. ROONEY. Thank you, very much.

I have one final question to ask you, Mr. Reistrup. Speaking of tolerance, I appreciate very much the tolerance of all the witnesses. It is my intent to continue the hearing until its end.

Tell me about the location of the Amtrak station facility in Norfolk, Va.

Mr. REISTRUP. Amtrak does not operate a passenger train to Norfolk today. We have a feeder bus operation that comes over to the main line at Petersburg.

Mr. ROONEY. And then you bus them 20 miles from Norfolk to Petersburg; is that right?

Mr. REISTRUP. Excuse me. I didn't hear the question.

Mr. ROONEY. You pick the passengers up at Norfolk at a station?

Mr. REISTRUP. Yes.

Mr. ROONEY. And you bus them to Petersburg?

Mr. REISTRUP. Yes. This came about when the Mountaineer, which is a Norfolk-Chicago train, through Cincinnati, was discontinued as part of the experimental route restructuring, which resulted in a re-patterned service.

The Secretary, and Amtrak's board, in the restructuring, ran the train from Washington via Petersburg through the Bluefield-Roanoke portion of Virginia.

It now also goes to Boston. We have a Boston-Washington-Roanoke-through-Petersburg service. That is where this connecting bus is. I cannot tell you specifically where this station is today.

Mr. ROONEY. Nobody can, because nobody can find it. It is located several miles from the center of town. We have stacks of complaints about that situation.

I admonish you to take a look at that.

Mr. REISTRUP. I will find it and let you know where it is.

Mr. ROONEY. I would like to know how many people you bus there a day.

Mr. REISTRUP. We have those figures.

Mr. ROONEY. I would appreciate it very much if you would send them to the committee.

Mr. REISTRUP. We appreciate your patience, Mr. Chairman.

Mr. ROONEY. Thank you.

Mr. REISTRUP. Thank you.

[The following information was received for the record:]

LOCATION OF NORFOLK, VA, RAILROAD STATION

Bus service is provided from the Norfolk railroad station to Petersburg, VA railroad station daily to make connections with the Hilltopper (Trains 66 and 67).

The Norfolk railroad station address is:

2200 Red Gate Avenue, (Lambert's Point), Norfolk, Va.

The station is $\frac{3}{4}$ mile north of the Norfolk General Hospital (a major landmark) which is located at Colley Avenue and Red Gate Avenue. Amtrak identification signs are posted on Red Gate Avenue directing passengers to the station.

The station is $1\frac{1}{2}$ -2 miles from downtown Norfolk (Onley Road). To reach the station passengers would proceed on Onley Road to Colley Avenue, turn right on Colley Avenue to Red Gate Avenue, turn left on Red Gate Avenue and follow signs to station.

Bus passenger loads since inception of service have been

June 1977	459
July 1977	717
August 1977	822
September 1977	435
October 1977	399
November 1977	374
December 1977	832
January 1978	524
February 1978	413
Total	4,975
Average month	553
Average day	18

Mr. ROONEY. Our next witness is Mr. Richard Knowlton, general counsel, the Atchison, Topeka, and Santa Fe Railway System, Chicago, Ill.

**STATEMENT OF RICHARD K. KNOWLTON, GENERAL COUNSEL,
ATCHISON, TOPEKA AND SANTE FE RAILWAY SYSTEM**

Mr. KNOWLTON. I am appearing here today on behalf of what we call the Amtrak contributing railroads, those railroads which signed an agreement to provide facilities and services to Amtrak back in 1971.

I am appearing in their behalf today to oppose section 11 of H.R. 11493. That is the sole purpose of my appearance, and the objection by the railroads.

I have filed a statement with the subcommittee, outlining in some detail, the nature of the opposition to section 11, and I will be very brief this morning.

The opposition to section 11 of H.R. 11493 stems from the effect of that provision in more or less setting in concrete the costing for the determination of reimbursement of the railroads, particularly for the use of facilities and service for Amtrak, and it would further restrict the Interstate Commerce Commission's ability to use its expertise in a given situation.

The Milwaukee Road has been mentioned this morning. This legislation would arbitrarily restrict the Commission's flexibility in determining what costs properly should be reimbursed to a particular railroad for the use of a particular facility.

The railroads strongly believe the varying circumstances in the operation of Amtrak, the varying degree of Amtrak's use of a facility, should leave with the Commission the right to judge each case separately and independently on the facts.

The costs of ownership are real costs and they must be recovered somewhere. In many cases, where Amtrak might be the principal user, it should share in the cost the commission feels is best for the viability of the railroad involved, and the particular industry.

Our statement also points out if incentives are to be used as a method of basing compensation, the Commission should have flexibility in determining what incentives should be applied and how they should be reimbursed.

The railroads entered into a contract with Amtrak in 1971 and these were negotiated with the express reservation that due to the press of time, it prevented the ability to negotiate a fair and equal agreement.

The act directs the Interstate Commerce Commission to order Amtrak to compensate the railroads on a just and reasonable basis, and that the Commission would determine a fair and reasonable compensation.

That flexibility should not be taken away from the Commission by legislation.

That, briefly, is more or less the gist of the opposition of those railroads to that particular section of this proposed legislation.

Thank you, Mr. Chairman.

Mr. ROONEY. Thank you, Mr. Knowlton. It is your wish that your statement become part of the record?

Mr. KNOWLTON. Yes, sir.

Mr. ROONEY. Without objection, your statement will become a part of the record.

Mr. KNOWLTON. Thank you, Mr. Chairman.

[Mr. Knowlton's prepared statement follows:]

STATEMENT OF RICHARD K. KNOWLTON, GENERAL COUNSEL, ATCHISON, TOPEKA,
AND SANTA FE RAILWAY SYSTEM

Mr. Chairman and members of the Committee: My name is Richard K. Knowlton. I am General Counsel of The Atchison, Topeka and Santa Fe Railway Company. This statement is filed on behalf of the following railroads, all of which are providing services for the National Railroad Passenger Corporation ("Amtrak") under contract:

Atchison, Topeka and Santa Fe Railway Company;
Baltimore and Ohio Railroad Company;
Burlington Northern Inc.;
Chesapeake and Ohio Railway Company;
Chicago, Milwaukee, St. Paul & Pacific Railroad Company;
Consolidated Rail Corporation;
Illinois Central Gulf Railroad;
Louisville and Nashville Railroad Company;
Missouri Pacific Railroad Company;
Norfolk and Western Railway Company;
Richmond, Fredericksburg and Potomac Railroad Company;
Seaboard Coast Line Railroad;
Southern Pacific Transportation Company;
Union Pacific Railroad Company.

The purpose of this statement is to express the objection of these railroads to Section 11 of H.R. 11493 to the extent that such proposed legislation would further unduly restrict the Interstate Commerce Commission in determining a just and reasonable compensation for the provision of service and facilities for Amtrak by these railroads and, consequently, seriously impair the ability of these railroads to negotiate with Amtrak compensation for the provision of services and use of facilities on a fair and equitable basis.

The Rail Passenger Service Act of 1970 permitted railroads operating intercity passenger service to be relieved of that responsibility by contributing to Amtrak substantial cash payments based upon each such railroad's 1969 passenger deficits or losses. These payments were designated by the Act as relieving the railroads of their entire economic responsibility. While the railroads were mindful of the further provisions of the original Rail Passenger Service Act of 1970 affording Amtrak the right to the services of such railroads as well as the use of their tracks and facilities for passenger operations, Section 402 of the Act directed the Interstate Commerce Commission to order Amtrak to compensate the railroads on a just and reasonable basis in the event negotiations failed to produce that result.¹ The Act placed no restrictions upon the Commission's utilization of its expertise and experience in railroad costing to determine proper and equitable levels of reimbursement. Consequently, recourse to the Commission for its determination of just and reasonable compensation was regarded by the railroads as a vital safeguard to insure that their contributions to Amtrak would in fact relieve them of future financial responsibilities for intercity passenger service.

The original contracts between these railroads and Amtrak were negotiated in 1971 with the express reservation by the railroads that the exigencies of time prevented a full negotiation of a just and reasonable compensation. Accordingly, Article 5 of that agreement provided that compensation after July 1, 1973, would be renegotiated by the parties or determined by the Commission pursuant to the standard set forth in the Rail Passenger Service Act.

During the course of such renegotiations between several of the railroads and Amtrak, Congress enacted the Amtrak Improvement Act of 1973. This legislation, designed to improve the provision of services by the railroads, provided as an addendum to the just and reasonable compensation standard in the 1970 Act:

"In fixing just and reasonable compensation for the provision of services ordered by the Commission under the preceding sentence, the Commission shall, in fixing compensation in excess of incremental costs, consider quality of service as a major factor in determining the amount (if any) of such compensation."

¹ The pertinent provision of the Act provided that if the parties failed to agree the Commission could "order the provision of services or the use of tracks or facilities of the railroad by (Amtrak) on such terms and for such compensation as the Commission may fix as just and reasonable. * * *"

Congress thus provided that whenever the Commission fixed compensation which Amtrak was to pay a railroad for providing services, any such compensation in excess of incremental costs would depend upon the quality of the service provided. No such restriction was placed upon just and reasonable compensation for the use of tracks and facilities. The legislation emphasized the sense of the Congress that improved quality of service would flow from incentives to improve performance of service. As a result, the 1973 amendment did not deprive the contracting railroads of the right to just and reasonable compensation for providing services for Amtrak or affording it the use of its tracks and facilities. It merely conditioned the right of the railroad to a portion of that reimbursement for the provision of services upon the quality of services provided.

Amtrak representatives would espouse the 1978 proposed legislation as necessary to clarify the compensation principles to be applied by the Interstate Commerce Commission under the 1973 amendment to the Rail Passenger Service Act. Section 11 of H.R. 11493, however, goes far beyond that suggested purpose and severely curtails the scope of just and reasonable compensation. The section provides that:

1. Compensation for the use of a railroad's tracks and facilities would be limited to avoidable costs, with no excess permitted in any circumstances;

2. Compensation for the provision of services in excess of avoidable costs would be permitted only (a) in proportion to increases in the quality of services provided, and (b) attainment of on-time performance in excess of 80% of the time under the fastest practicable operating schedule;

3. Avoidable costs, including those arising from the use of tracks and facilities, would be restricted to (a) solely related costs and (b) the avoidable portion of variable common costs;

4. Avoidable costs would not include (a) fixed common costs, (b) allocable non-variable common costs, (c) return on investment, or (d) rent.

As proposed the section has three substantial deficiencies. Firstly, it restricts compensation for the use of tracks and facilities to avoidable costs. Secondly, solely-related costs are excluded from the definition of avoidable costs. Thirdly, the conditions under which compensation in excess of avoidable costs would be permitted are both unproductive and inequitable.

If it is the intent of this legislation to clarify the 1973 amendment so as to direct the Commission to condition compensation in excess of avoidable costs upon quality of railroad performance, such can be accomplished by merely inserting the phrase "or the use of tracks and facilities" after the phrase "provision of services" in the fourth sentence of subsection (a)(1)(A), and eliminate the entire third sentence of such subsection. By precluding any compensation for the use of tracks and facilities in excess of avoidable costs regardless of quality of performance by the railroad, Section 11 would eliminate reimbursement to the railroad of any of its property costs, such as return on investment, rents, property taxes, insurance or other fixed costs which historically have been regarded as a part of just and reasonable compensation for the use of facilities. The railroad should not be denied recovering an equitable portion of these costs for commonly used facilities where the circumstances justify such recovery, either by virtue of quality of performance or of economic necessity to the railroad.

The contracting railroads, of course, must recover these costs somewhere, and the hard question as to who should bear them is not satisfied by adopting an easy answer simply that Amtrak, regardless of the extent of its use, shall not. Such an excuse merely calls for the subsidization of Amtrak operations by other rail users. Moreover, Congress directed in the 4R Act of 1976 that the railroads must be revitalized, that fixed costs must be met and that an adequate return on investment must be realized. In Section 205 of that Act Congress directed the Commission to make a continuing effort to assist the railroads to attain revenue levels which cover "total operating expenses, including depreciation and obsolescence, plus a fair, reasonable and economic profit or return (or both) on capital employed in the business." If this Congressional and national objective is to be attained, users of rail transportation services, including Amtrak as well as freight shippers, will have to contribute to the fixed as well as variable (or avoidable) costs of providing services and facilities.²

² It should be noted that all costs are variable over the long run, a fact which is not recognized by section 11 of H.R. 11493.

Consequently, although Amtrak's passenger operations have already consumed, and will continue to consume, rail facilities so as to contribute to the railroads' long-term fixed costs, including the cost of capital, the proposed legislation would relieve it of any responsibility for sharing in these costs on the ground that they are not avoidable costs on a short-term basis. The result would be to shift the burden of these costs to other users of rail service so as to provide a direct subsidy of Amtrak's operations. If Amtrak is to be regarded as a viable private enterprise it should contribute its fair and equitable share of the costs of railroad facilities utilized by it. If, on the other hand, Amtrak is to be considered an instrument of social necessity, then its subsidy should come from the Government and not from the private sector.

In any event, the ultimate conclusion as to Amtrak's fair and equitable responsibility for costs arising from its use of a railroad's tracks and facilities will necessarily vary as between particular railroads and should be determined by the Commission on a case-to-case basis, with the Commission free to exercise its expertise as to the elements of cost necessarily to be recovered by a given railroad in light of particular circumstances involved.

The second substantial deficiency of Section 11 of H.R. 11493 stems from the specific exclusions from avoidable costs. Implementation of the section in this regard would exclude compensation currently acknowledged by Amtrak to be reimbursable to the railroads as solely-related costs for the exclusive use by Amtrak of railroad facilities. Amtrak has assumed responsibility for property costs where a facility is dedicated to its sole use, including not only a rent based upon fair market value (including return on investment), but also the other fixed costs associated with such facility. To exclude these from compensable costs would permit Amtrak to have exclusive use of railroad trackage, stations, or other plant and structures for merely the cost of the maintenance thereof, leaving the owner of such properties to absorb all other property costs incidental to such ownership.

The exclusions from avoidable costs set forth in subsection (B) of Section 11 are unnecessary in any event since unless those excluded costs were solely related to Amtrak service such would not constitute avoidable costs.

The conditions imposed by Section 11 for compensation in excess of avoidable costs are arbitrary, unproductive and inequitable. The 1973 amendment left to the parties, or to the Commission, discretion as to the implementation of equating quality of performance to compensation in excess of incremental costs. Section 11 of H.R. 11493 would substitute for this Commission discretion the mandate that such compensation be allowed only in proportion to increases in the quality of service and only where the railroad provides in excess of 80% on-time performance under the fastest practicable operating schedule. This provision is not only unworkable and inequitable, but is contrary to the intent of the 1973 amendment of providing greater compensation for quality service. Standard criteria cannot be established among the various railroads for "the fastest practicable operating schedules" providing the basis for the proposed 80% on-time performance. A railroad operating Amtrak services in a moderate climate for a relatively short distance over a light density line maintained at FRA Class 4 standards with few intermediate stops would have a totally different challenge presented to it by this section than a railroad operating Amtrak service in the northerly states over long distances on heavy freight density lines maintained to high FRA standards. A totally different set of circumstances would be presented by high-speed corridor lines with heavy passenger service, frequent stops and peak periods of passenger travel.

More difficult to rationalize as part of an incentive program is the requirement that compensation in excess of avoidable costs only be permitted in proportion to increase in the quality of service. Such requirement rewards only railroads with poor performance records and penalizes those railroads which have now attained or had previously maintained records of high quality service. The result would be the elimination of incentives to a railroad which currently maintains an excellent physical plant and provides passenger services for Amtrak to the best of its managerial and operating abilities.

Presumably the intent of the incentive compensation concept is to promote dependable and quality Amtrak passenger service throughout the nation. What is necessary to accomplish this overall design for any particular Amtrak route depends on the circumstances of such route and of the railroad called upon to provide the service thereover. Necessarily such circumstances vary. Incentives are not only desirable to improve unsatisfactory prior service performance, but also maintain existing high levels of performance.

A national objective of quality passenger service can only be accomplished by negotiations between Amtrak and the various railroads which result in a mutually satisfactory arrangement by which the railroad can work toward attainable incentives. Recourse to the Commission must also have that same flexibility to permit the Commission to prescribe mutually acceptable and attainable incentives.

In summary, the railroads on whose behalf this statement is filed would like to stress that Amtrak cannot reach its long-term objectives without a working arrangement with these railroads which permits a fair and equitable compensation to those railroads for the services and facilities provided to Amtrak.

Mr. ROONEY. Our next witness is Mr. Louis Rossi, director, Railroad Group, New York Department of Transportation.

STATEMENT OF LOUIS ROSSI, DIRECTOR, RAILROAD GROUP, NEW YORK DEPARTMENT OF TRANSPORTATION

Mr. Rossi. Thank you, Chairman Rooney.

Mr. Chairman and members of the subcommittee: I am very thankful to be here and to talk to you about this Amtrak legislation.

The first thing I would like to do is reecho testimony that was made by Mr. Clifford Elkins, director of the National Conference of State Railway officials and Mr. John Killoran of West Virginia, chairman of its passenger committee, who testified before you a short time ago.

In their testimony, there were four important points that I would like to mention.

First: New York State supports a modification in the authorization of appropriations to set aside a minimum of 3 percent of the operating and capital appropriations for joint State services with Amtrak under section 403(b) of the Rail Passenger Service Act.

Second: Support funding adequate to continue all services pending approval of the final plan and, most importantly, the correct amount of funding to implement and operate the system finally selected. A restrictive Federal funding policy would preclude capital improvements and operating frequencies necessary to fully tap ridership markets and produce suitable returns on both Federal and State investments. This is one important reason that Amtrak has failed thus far to meet even our most modest expectations. Our efforts must be accompanied by a commitment to support whatever rail passenger network is required to satisfy transportation need and other social and environmental requirements.

Third: We are very concerned that Amtrak, in whatever route configuration Congress decides, have the operational authority necessary to insure that high quality services are provided, equal to the congressional mandate, and so that one agency can be held accountable by Congress for failure to provide such service quality.

Fourth: The States have suggested the establishment of a joint State-Amtrak-USDOT study review panel for the route reexamination study already underway.

We feel, by combining the ability of the three agencies, that very meaningful reports can be made available to the Congress.

My specific reason for being here is to stress the fact that pending the final outcome of these studies and final implementation actions, every day real rail patrons are riding existing trains to and from

important communities and they make use of the enormous public—Federal and State—investments already in place. We must not short-change these while long-term considerations are being examined.

What I fear is happening is that in the period of the studies there has been an increasing lack of interest in preserving service quality and in making day-to-day decisions and scheduling decisions that are very important to those people.

As a person with day-to-day responsibilities for direct State investments in Amtrak and ConRail of nearly \$100 million in annual capital funds and over \$2 million in annual operating assistance funds, I have observed a creeping paralysis in the train operation and operation planning responsibilities of Amtrak as the Department of Transportation involvement grows.

I have four specific problems: One: I believe we have communicated with you several times concerning the continuing problems of the Empire Service train operations. We feel it is typical of many services throughout the country.

We find Amtrak and ConRail are still disputing basic operational questions with each other, and that Amtrak seems increasingly unable to meet minimum operating requirements.

For example, to just set the stage—\$50 million of State money has been invested in the maintenance of plant and improvement of service quality and reliability; we have track better than it has been in decades.

Despite trackage that is in the best shape in decades, generous schedules, all new turboliner equipment and a brand new \$18 million maintenance base at Albany, simple ontime performance in New York cannot be maintained. On many occasions, Amtrak has been incapable of getting turboliner equipment out of the maintenance base in time for the first morning departure from Albany despite overnight workshifts.

You would think an effort of that magnitude would have better performance and reliability. That has not occurred.

The elements that are necessary for very basic ridership in this corridor, after the public investments already made well in excess of \$100 million, just aren't coming to pass.

We feel immediate congressional action should be aimed at providing Amtrak with the wherewithal to enforce its contracts with operating railroads to insure satisfactory and consistent levels of performance and immediate reexamination should be made of Amtrak's operating department.

One issue that we think the Congress might legislate would be to allow the State to take over the service. We think we, as a State, could do a better job than the operating railroads.

Mr. ROONEX. How can a bankrupt State take over a bankrupt railroad?

Mr. ROSSI. The New York State commuter service is moving 4 million people a day. MTA, who operates half the distance to Albany, is running dozens of trains, and could very easily run 14 more trains a day, which is what Amtrak runs on that same trackage.

We provide operating subsidies to Amtrak of about \$7 million, and we are in three 403(b) contracts with them.

In the area of service improvements, we have been unable to reach an agreement with Amtrak for the extension of the Empire Service from Buffalo to Niagara Falls. To accomplish this, we are prepared to spend \$6 million to upgrade trackage between Buffalo and Niagara Falls to meet passenger service standards, and we plan to build three new stations in the area.

However, these projects cannot get underway until we receive assurance from Amtrak that it will operate its basis system trains to and from Niagara Falls in return for our investment.

We have been seeking to get Amtrak to give a commitment for extension of operations and we have been advised that Amtrak cannot make that decision until the study is completed.

We have written to the Secretary of Transportation, who has advised us that Amtrak should be able to make that decision without his recommendation. So, we are at an impasse. Not only is the riding public suffering, but ConRail is suffering in their ability to get a major contract on the way.

A third point I would like to stress is on the 403(b) services; we would like a provision, similar to the provision under title IV and title VIII of the branch line subsidies, to allow for a small proportion of that money to be made available for staff.

We think that is one of the reasons only six States are participating in 403(b). It does become very time consuming on the States to administer that program properly and make sure they are getting a return on their money.

The fourth point I would like to add is that in January of this year, the Eastern States suggested an alternative interim schedule for East-West passenger trains. It was a schedule that reduced the train-miles by 15 percent and served such city pairs as Cleveland and Pittsburgh, that Mr. Reistrup mentioned.

The States have received no answer from any Federal agency or Amtrak on that proposal. That reinforces my fear that everything is being frozen in because we cannot make interim improvements.

I have appended to my statement a consolidated statement of New York State's view of the northeast corridor; a consolidated view of the New York Port Authority, the Metropolitan Transportation Authority; and the Tri-State Planning Commission. Also appended to my statement is a copy of New York's letter to Secretary Adams detailing the States' schedule proposal.

I hope you find these useful. I would like to suggest that you consider, in the future, hearings in Philadelphia and New York City on the Northeast corridor project so that the commuter authorities can specifically tell you what their concerns are.

That briefly summarizes what points I wanted to make, and I thank you, Mr. Chairman.

[Mr. Rossi's prepared statement follows:]

STATEMENT OF LOUIS ROSSI, DIRECTOR, RAILROAD GROUP, NEW YORK DEPARTMENT OF TRANSPORTATION

INTRODUCTORY REMARKS

Mr. Chairman and members of the Subcommittee, I am pleased to have this opportunity to comment on pending Amtrak legislation and present the views of New York.

New York's views on general policies affecting Amtrak have already been presented by Mr. Clifford Elkins, Director of the National Conference of State Railway officials and Mr. John Killoran of West Virginia, Chairman of its Passenger Committee. Briefly, to recap, the states:

Support a modification in the authorization of appropriations to set aside a minimum of 3% of the operating and capital appropriations for joint State services with Amtrak under Section 403(b) of the Rail Passenger Service Act.

Support funding adequate to continue all services pending approval of the final plan and, most importantly, the correct amount of funding to implement and operate the system finally selected. A restrictive federal funding policy would preclude capital improvements and operating frequencies necessary to fully tap ridership markets and produce suitable returns on both federal and state investments. This is one important reason that Amtrak has failed thus far to meet even our most modest expectations. Our efforts must be accompanied by a commitment to support whatever rail passenger network is required to satisfy transportation need and other social and environmental requirements.

Recognize the necessity that Amtrak, in any route configuration must have whatever operational authority is necessary to ensure that high quality services are provided, equal to the Congressional mandate, and so that one agency can be held accountable by Congress for failure to provide such service quality.

Suggest the establishment of a joint State/Amtrak/USDOT "study review panel" for the route reexamination study already underway.

SPECIFIC CONCERNS

The main reason I am here today, however, is to stress the fact that pending the final outcome of these studies and final implementation actions, real rail patrons are riding existing trains to and from important communities every day; and every day they make use of the enormous public (federal and state) investments already in place. We must not short change these while long-term considerations are being examined.

Every day, for example, about four million people pass over, use or share the intercity rail passenger facilities in New York. Although this is larger than anywhere else, similarly impressive statistics are available for Philadelphia, Chicago, Los Angeles and many other points in the United States.

I would hope that the Congressional and Executive Department actions about to be undertaken will assist in improving the lot of the current rail patron.

As a person with day to day responsibilities for direct state investments in Amtrak and Conrail of nearly \$100 million in annual capital funds and over \$2 million in annual operating assistance funds, I have observed a creeping paralysis in the train operation and operation planning responsibilities of Amtrak as the USDOT involvement grows.

1. Empire service train operations

No amount of route redrawing will ever save the system unless Congress takes firm steps to solve Amtrak's operating problem. The problem is twofold. On one hand, Amtrak lacks authority to compel Conrail to operate at other than its own convenience. On the other hand, Amtrak cannot perform its own responsibilities.

Since the inception of Amtrak and Conrail, millions of dollars have been invested in our Empire Corridor between New York City and Buffalo to improve service quality and reliability. One example is the State's High Speed Rail program. Phase I was launched in 1976 with a \$36 million project (100% state funded) to rebuild trackage and signals between Poughkeepsie and Schenectady to 110 mph standards. The second phase of the high speed rail program will involve similar improvements to the remainder of the Corridor at an estimated cost of \$50 million to \$100 million.

You would think that an effort of this magnitude would produce visible improvements in the area of train performance and reliability. This has not occurred. Quality Amtrak/Conrail service in the Empire Corridor has not materialized. Despite trackage in the best shape in decades, generous schedules, all new turboliner equipment and a brand new \$18 million maintenance base at Albany, simple on-time performance in New York cannot be maintained. On many occasions, Amtrak has been incapable of getting turboliner equipment

out of the maintenance base in time for the first morning departures from Albany despite overnight work shifts. My only relief is that New York rail patrons are apparently a hearty breed that cannot be driven away by even the most adverse conditions.

Immediate Congressional action should be aimed at providing Amtrak with the wherewithal to enforce its contracts with operating railroads to ensure satisfactory and consistent levels of performance and immediate reexamination should be made of Amtrak's operating department.

2. Service improvements

Extension of New York's Empire Service from Buffalo to Niagara Falls is a key part of our on-going high speed rail program. To accomplish this goal, New York is prepared to spend \$6 million to upgrade trackage between Buffalo and Niagara Falls to meet passenger service standards, and we plan to build two new stations in the area. However, these projects cannot get underway until we receive assurance from Amtrak that it will operate its basic system trains to and from Niagara Falls in return for our investment.

This is now being delayed because Amtrak will not provide the necessary commitment unless Niagara Falls is included in USDOT's Amtrak system plan.

I'm sure it wasn't the intent of Congress to halt important short-term service improvements until the route reexamination is completed. Unless you intervene, expansion of passenger service in New York with its many benefits for Amtrak, ConRail and the general public will be jeopardized. A letter voicing our concerns to Secretary Adams on this is attached to my testimony.

3. 403(b) services

Thus far, growth of the 403(b) program has been very limited. There are currently only six participating states. To make the program more attractive, especially for states that are unable to handle the additional administrative burdens, I recommend that a fixed percentage of each 403(h) participant's allocation be designated for staff services. This is not without precedent and is an integral part of many federal/state programs today including RRRRA Title IV and RRRRA Title VIII rail branch line continuation programs.

4. East/Midwest schedules

In January of this year several states in the Northeast and Midwest agreed upon a proposal for restructuring rail passenger service in the region. The plan was designed to dramatically improve Amtrak service and marketability by rerouting long-haul trains to high travel corridors, establishing services in major corridors currently without service and providing better schedules to key market areas.

Details of this proposal were submitted to USDOT and Amtrak for consideration in early February. Since the entire plan involved fewer train miles and therefore less cost than Amtrak's existing routes, it was emphasized that all improvements could be implemented immediately. To date we have not received feedback on our ideas from either USDOT or Amtrak. It doesn't make sense that simple service improvements which are clearly in the best interest of the travelling public and can easily improve Amtrak's financial performance now are being ignored pending the outcome of USDOT's study. I have also attached to my statement a copy of New York's letter to Secretary Adams detailing the States' schedule proposal.

These conclude my prepared remarks. I have appended to this statement a consolidated position statement representing New York State views on the Northeast Corridor. I am confident the subcommittee will find these useful, and I would urge the subcommittee to hold hearings of its own in New York City and Philadelphia prior to enactment of further amendments to legislative provisions dealing with the Coordinator.

FEBRUARY 8, 1978.

HON. BROCK ADAMS,
Secretary of Transportation, 400 Seventh Street, SW., Washington, D.C.

DEAR MR. SECRETARY: For several years the New York State Department of Transportation has anticipated providing rail passenger service to Niagara Falls, New York as one part of our Statewide high-speed intercity rail passenger program. To accomplish this goal the Department has been advancing a broad program of track and station improvements in the Niagara Frontier area with Conrail and Amtrak. However, it is now our understanding that Amtrak will be unable to commit to extension of "Empire Service" to Niagara Falls unless the track between Buffalo and Niagara Falls is included in the Amtrak system study now being completed by your Department. Unless you intervene, this study will be an impediment to State investments in Amtrak this spring.

New York State's investment in Conrail track and the Amtrak system has been and will continue to be substantial. As just one example, New York State has a \$50,000,000 track program underway to provide high speed rail service to the State. Moreover, New York State anticipates spending \$6,000,000 between Niagara Falls and Buffalo to create track conditions appropriate for passenger trains, and we plan to build two new stations in the area. In return for our investment we must know Amtrak will operate its basic system trains to and from Niagara Falls. Once the entire State program is complete, passenger schedules between New York City and Niagara Falls will be reduced by over two hours and train speeds of 110 MPH will be possible at many locations across the State.

It is of great concern to me that the Intercity passenger service system we are working toward is not scrapped, undermined or even delayed another year, and that the system be allowed to reach its full potential. Expansion of the system and continuation of the program will provide benefits not only to Amtrak but also to Conrail and the general public. By permitting expansion of the basic system it will be possible for us to upgrade the track, improve and expand both passenger and freight service, and provide *vitaly needed job opportunities* in the high unemployment area of the Niagara Frontier.

Therefore, I urge you to include Niagara Falls and the associated track in the future Amtrak system. The City is a natural point for termination of passenger service in the State, an important tourist center for the nation, and a point which trains providing service to New York State, Chicago, and Canada could utilize effectively. May I count on a prompt response?

Sincerely,

W. C. HENNESSY,
Commissioner.

NORTHEAST/MIDWEST RAIL PASSENGER SERVICE SCHEDULES

WOLVERINE

4:30p	New York City	3:10p
7:35p A		0 12:15p
7:50p O	Albany	A 12:00n
1:25a A		0 6:30a
1:40a D	Buffalo	A 4:45a
7:30a A		0 11:55p
7:40a O	Detroit	A 11:45p
12:25p	Chicago	5:00p

LAKE SHORE LIMITED

1:20p	Boston	3:25p
7:20p A		0 12:30p
7:50p O	Albany	A 12:00n
1:25a A		0 6:30a
7:00a O	Buffalo	A 12:00m
11:00a A		0 8:00p
11:30a O	Cleveland	A 7:30p
6:45p	Chicago	10:50a

OHIO STATE EXPRESS

7:00a	Buffalo	12:00m
11:00a A		0 8:00p
11:30a D	Cleveland	A 7:30p
2:00p A		0 5:00p
2:10p O	Columbus	A 4:50p
5:00p A		0 1:55p
5:10p O	Cincinnati	A 1:45p
7:00p A	Indianapolis	0 11:30a
7:10 O		A 11:20a
11:10p	St. Louis	5:50a

BROADWAY LIMITED

9:45p	New York City	9:40a
9:30p	Washington	9:50a
11:10p	Philadelphia	8:00a
1:00a A		0 6:20a
1:30a D	Harrisburg	A 5:50a
7:00a A		0 12:00m
7:15a O	Pittsburgh	A 11:45p
11:00a A		0 8:00p
11:30a O	Cleveland	A 7:30p
6:45p	Chicago	10:50a

PHILADELPHIAN

10:00a	Philadelphia	4:25p
5:00p	Pittsburgh	9:00a

ANN RUTLEDGE

8:35a	Chicago	7:40p
11:45a	Springfield	4:10p
2:05p A		0 2:15p
2:20p O	St. Louis	A 2:00p
8:05p	Kansas City	8:15a

NEW YORK STATE POLICY STATEMENT—NORTHEAST CORRIDOR IMPROVEMENT PROJECT

The proposed \$1.8 billion Northeast Corridor Improvement Project is vital for the maintenance of the corridor's mass transportation viability and is essential to meet the goals of enhanced transport access, energy conservation and economic opportunity.

In many ways the NEC is an inter-urban extension of the Region's vital rail system and its modernization and improvement is important to New York State.

New York State is confident that the Northeast Corridor Improvement Project is a step in the right direction to providing efficient, reliable, and fast public transportation along this nation's most complex and high density intercity travel corridor.

The New York State Department of Transportation has several concerns with respect to the Corridor Project as it was presented by the Draft Programmatic Environmental Impact Statement and those concerns were submitted for the record at the hearing held on November 28th in New York City. Beyond this we have assumed the responsibility of consolidating the issues and concerns raised by the Metropolitan Transportation Authority, the Tri-State Regional

Planning Commission, the New York City Planning Commission, and the Port Authority of New York and New Jersey. This document represents that consolidation and is furthermore intended to be New York State's Policy Statement regarding the proposed Northeast Corridor Improvement Project.

SUMMARY: CORRIDOR IMPACT

The NEC project and the anticipated level of intercity passenger volumes along the corridor are expected to have a significant impact on the Region. Because of the levels of funding authorized, it is expected that the impact will be adverse especially with respect to commuter services in the New York Metropolitan area.

Approximately 10 million passenger trips are taken on the Northeast Corridor. Eight million, or approximately 80% of the trips either originate or terminate in the New York Metropolitan area with their main focus on New York City. However, the actual federal investment program has not been designed to improve the facilities and services of this mainstay of the corridor. Of the total federal Corridor investment of nearly \$2 billion only 7% is currently programmed within New York State and the City of New York—the city which is the sole purpose of the Corridor.

Even more significant is the fact that the Corridor Project will make use of facilities that New York State has a record of investing in and improving. Over the past two decades, State and UMTA funds of over \$700 million have been channeled into many of the facilities to be used by Amtrak. Amtrak will make no payment for these investments—without which the corridor upgrading would be correspondingly more costly.

It is estimated that the NEC project will leave a gap of over \$1 billion in trying to cover essential improvements in New York. That cost is summarized by the following table. Each item plus other issues are discussed in following sections.

[In millions of dollars]

Program area affecting New York State	Necessary additional actions	Required additional funding
Commuter services.....	LIRR upgrading of signaling and equipment..... East River Tunnel track structure, signal and communications rehabilitation; general tunnel structure rehabilitation to stop leaks and repair bench walls. Signal, communications and interlocking facilities at Harold.. Penn Station general rehabilitation of support facilities such as escalators, elevators, etc.	\$100
	MTA investment in portion of Corridor from Shell Towers to the Connecticut State line.	
Intercity feeder service.....	Match for ongoing New York State investment in Albany—New York City corridor.	
	Direct connection from Westside line to Penn Station from Hudson Division Amtrak services.	
Other.....	The location of a heavy maintenance facility in New York City area.	25
	Reimbursement of New York City tax credits at Penn Station.	40
	Cost of new beltway station in Baychester area of the Bronx.	50
Grand Central Station: midtown terminal.	Funds to construct connection between Grand Central and 63d Street Tunnel, plus connections in Queens.	50
		101
		15
		667
Total.....		1,048

NEW YORK STATE POLICY STATEMENT—DETAILED DISCUSSIONS

1. IMPACTS ON COMMUTER SERVICES

It is most important that intercity passenger improvements are *not* made at the expense of existing and programmed commuter services. Overall, the improvements to the physical plant for intercity service will benefit the Region's commuter operations. But, because the Region's ability to fund commuter rail improvements is quite limited, it is important that the implementation of Northeast Corridor rail improvements not impose significant financial burdens upon commuter rail agencies for improvements that would otherwise not be needed.

Corridor and suburban trains have operated for over a century on common trackage with a minimum of interference. The substantial traffic growth projected for the corridor service will impose additional conflicts on commuter services, also scheduled to expand. Additional commuter train movements, including the proposed Direct Rail Access Project (DRAP) project must be afforded high priority, since commuter rail access to the central cities is vital for their economic stability and livelihood.

The interface of Amtrak service with LIRR commuter service from Penn Station to Harold Interlocking is critical. Operational control at Harold must recognize the priority of LIRR commuter service. Delays to commuter service would be much more significant time-wise and cannot be permitted because of the potential for a large diversion to automobiles. The LIRR also faces major costs in order to interface with the upgraded NEC. Eventually, equipment will have to be replaced and/or modified to use the higher voltage, and there is also the question of the compatibility of the LIRR wayside signal system with the upgraded system along the corridor. The cost of upgrading equipment and signaling along the route should be borne by the NEC project and not the LIRR.

2. PENNSYLVANIA STATION

Penn Station is by far the heaviest utilized passenger station in the country. In 1974 Penn Station serviced some 6.4 million NEC intercity rail passengers. By 1990 the NECIP has forecast this figure to grow to 12.6 million, 60% of all the corridor's demand. If commuter rail loadings are superimposed, these figures grow from 76.3 million persons in 1974 to 81.8 million in 1990. Penn Station is already frequently congested and the LIRR is already forced to store New Jersey commuter cars in Sunnyside Yard because of inadequate track facilities at Penn Station. Considering passenger growth the above conditions are certain to become intolerable.

Local agencies have done considerable study of needed improvements at Penn Station. The Northeast Corridor Program itself had previously proposed an ambitious improvement. The scope of work has since been reduced. But, Penn Station still needs an extensive amount of work, including the following: a comprehensive set of passageway and concourse improvements; better passenger facilities; an improved pedestrian environment. Yet, only signing, intercity train information equipment and improved lighting in limited areas is proposed.

To this day, the signal and communications system between Harold Interlocking and Penn Station, and within Penn Station remain virtually as originally installed prior to 1920. Penn Station is shut down time and again because of this malfunctioning and decrepit signal system. The cost to the LIRR and its commuters and the economy of the City are incalculable. Amtrak ridership growth is also adversely affected. Therefore, the NEC should get on with the necessary investments to improve the signal and communication system between Harold Interlocking and Penn Station. In an effort to improve the operating conditions at Penn Station and to coax the then (P.R.R.) into updating facilities, New York State enacted amendments to the Real Property Tax Law which exempted Penn Station from property taxes. Since 1959 this exemption has cost New York City over \$101 million.

The intercity railroad portion of Penn Station cannot be looked at in isolation since it is one of the world's most interconnected terminal areas. Improvements here should tie into the four (4) separate subway lines, the Path System to New Jersey, in addition to the Long Island Rail Road.

Failure to improve these interconnections will discourage intercity rail passengers from arriving at Penn Station by interconnecting transit, and thus aggravate congestion and air pollution at the street level.

It seems that some of the decision not to consider track and station improvements at Penn Station is based on the false assumption that the proposed 63rd Street connection between LIRR and Grand Central Station is about to be built and that resultant commuter improvements to and including Grand Central Terminal will relieve the pressure in the East River Tunnels and at Penn Station.

There are no existing funds or anticipated funds to complete these commuter improvements for at least 20 years and possibly longer. These improvements simply cannot be used as an excuse for not improving Penn Station, or if the diversion of LIRR trains to GCT is an essential component of growth of intercity usage, then NEC funds must be programmed to assist this project.

In addition to the 63rd Street connection, the existing 30th Street (freight) Yard in Manhattan should be connected to the existing Penn Station complex. This alternative has several advantages including the following:

a. Increased storage space for commuter and intercity trains. This will provide ready storage space and greatly reduce the cost of shuttling trains to Sunnyside and other support yards.

b. Decreased usage of the East River Tunnels by eliminating the need for deadheading all cars to the Sunnyside Yards.

c. A direct connection from the Westside line to Penn Station from the Hudson Division Amtrak Services. This connection would provide less than 2 hour service from Albany to Penn Station and a direct transfer to the NEC.

d. A relatively easily implemented project which can show improvements in the short term to Northeast Corridor, UMTA and Amtrak.

e. Permit "track space" for major rebuild of tunnel roadbed structures as opposed to stopgap system now planned.

The upgraded NEC will mean increased volume through this station. The amount currently budgeted for Penn Station improvements will certainly not offset the future cost of providing for future high volumes. A comparison of the proposed level of funding for stations along the corridor points out the inequity with which New York is treated. The numbers speak for themselves: \$42.6 million for 2 stations in Massachusetts; \$36 million for 3 stations in Connecticut; \$31.3 million for 2 Maryland stations; \$40.7 million for Washington; \$4.3 million for New York.

MTA PROPERTY

New York State objects that no NEC funds are to be invested in the MTA owned portion of the Corridor from Shell Towers to the Connecticut State line, although over \$60 million will be invested in 5 miles of Massachusetts-owned MBTA property. New York State and the MTA have invested heavily in this segment over the years due to deferred maintenance practices of the Penn Central. Amtrak must negotiate with NYS and the MTA for lease or purchase of this segment or some compensating benefit. Alternatively, these funds will have to be raised through taxation of Amtrak-owned properties.

4. REHABILITATION OF THE EAST RIVER TUNNELS

The NECIP has budgeted \$8.4 million to rehabilitate only two of the four active East River tunnels. This short-sighted approach does not recognize that *all four* antiquated tunnels are currently operating at maximum load now for commuter service and that Amtrak *will not* be able to exclusively operate the two rehabilitated tunnels. Upgraded Amtrak service will only be possible if all four tunnels are upgraded to modern standards; otherwise all services will suffer substantially. Proposed plans for Amtrak priority operation at the expense of commuter operations would have the most dire effects on the daily commutation of tens of thousands of riders, further diverting patrons from these viable mass transit lines.

5. COMMUTER AND INTERCITY FEEDER SERVICES

New York State's contributions to the success of the NEC in terms of commuter feeder service have been significant. New York State has a \$36 million high speed rail track rehabilitation project between Poughkeepsie, New York and Albany/Schenectady (Hoffmans). Welded rail is being installed on the entire segment, ties are being replaced, and a cab signal system will be installed. These improvements will allow train speeds to be increased to 110 mph and reduce running time by a minimum of 30 minutes. This is a Congressionally recognized high-speed corridor.

In addition to this project, anticipated improvements in the commuter territory will allow the schedule between New York City and Albany to be reduced by 1 hour to a scheduled time of less than 2 hours.

Studies have concluded that as a result of these improvements ridership will more than double and ultimately increase by a factor of four.

Federal legislation has recognized the need for off-corridor service and reimbursement for this expenditure plus funding of the future incremental improvements in the commuter territory is justified on the basis of intercity service alone with some appropriate spin-off to commuter services.

It is important to realize that this program is underway now and with additional funds full benefits are obtainable within 2 years. Modest allocation of the available NEC funds will allow the high-speed program in this feeder to be within 2 years. Neither of the other two feeder corridors are in this stage of development.

6. LOCATION OF A NEW HEAVY MAINTENANCE FACILITY

The New York Metropolitan area is the heart of the entire Northeast. Corridor and New York City itself is the origin or destination point for more than 50% of the Corridor's 1990 trains.

The New York area is also the rail car operating capital of the United States and the location of the \$50 million maintenance facility in this area makes logistical and economic sense.

With a current unemployment rate of 8.6%, the 250 permanent jobs generated by this facility are vitally important. Land is available at the Sunnyside Rail Yard in Queens or other points in Manhattan, or the Bronx.

Clearly the best reliability in corridor train service will be achieved if the maintenance is available at the hub of operations. Commuter car repairs for New Jersey and New York could also be conducted at such a facility.

7. FENCING

Based on discussions with NEC officials it is our understanding that Amtrak is to quickly "get on" with the needed fencing facilities to provide and maintain NEC operations through the New York Metropolitan area. These improvements will be financed 100% by the Federal government. NEC fencing through New York must be carried out promptly at no cost to New York State. Currently Amtrak is facing fines of \$1000 per day for failure to comply with an outstanding NYSDOT order.

8. POTENTIAL IMPACT ON FREIGHT SERVICE

The Northeast Corridor program has written its legislative mandate the ability to "improve" as well as to "allow for" rail freight service. The proposed program as described in the EIS indicates little if any planning for improvement of freight service and in fact raises a measure of uncertainty concerning freight operations. The ambiguity is inappropriate considering the time and money invested in corridor planning studies. Corridor freight plans should include retention of through freight trains on the passenger route south of Newark, including the option of flexible routing, and a description of physical improvements needed to permit a *more dependable* and less costly freight system to operate in consort with an improved passenger service. It is inconsistent for the federal government to be imposing stringent, if not unattainable, financial burdens and goals on ConRail under the Final System Plan under the guise of eliminating all "cross-subsidies" and to then impose upon Conrail capital investments for such things as new electric locomotives to accommodate a conflicting passenger objective or inferior routing options.

Freight train priorities should be examined in depth. Amtrak has a priority policy of corridor trains first, commuter trains second and through freight third. During off peak hours, however, some flexibility should be provided to permit shippers to have confidence in the reliability of their products reaching the final destination on time. Arbitrary restrictions on freight train lengths, especially dedicated movements such as coal unit trains should contain some provisions for exceptions. However, commuter trains must always have priority.

9. ELECTRIFICATION TO 25 KVA

The issue of electrification to 25 KVA is, in financial terms, the most serious corridor program problem and one that will cause serious financial difficulties for both ConRail and the affected commuter rail agencies.

A substantial concern has been raised that concurrent *local* capital investment will be required, above and beyond the corridor-financed investment, in order to achieve this stated goal. In New York, re-electrification and concomitant resignaling of the Washington-New Rochelle line in order to bring this electrification up to worldwide state-of-the-art standards will require a major expenditure of corridor resources, not currently allocated for this purpose.

Only \$30 million has been allocated in the entire corridor for commuter rail electrification, barely scratching the surface of the true costs. In both New York and New Jersey, extensive modifications would also be required in the freight area as well—especially the yards, to enable freight equipment to utilize the new corridor-wide 25 KVA system. The NECIP has no funds allocated for this work and should address this critical imbalance immediately.

It is mandatory that the Northeast Corridor program document the *true cost* of electrification in terms of commuter cars, freight cars, yards and trackage and take all necessary steps to reimburse affected agencies.

10. NEW STATION ALTERNATES

The NECIP has apparently set aside the issue of the long-term need for new stations. However, planning for future station locations is lacking and this may prevent the Program from effectively meeting the needs of shifting populations along the corridor. As case in point is the Baychester area of the Bronx. Over the past 3 decades a wetland has been changed to a highly developed area with a population base of approximately a quarter of a million persons. *Demand already exists* for a beltway-type passenger station in this previously undeveloped area. Yet, requests by New York City for a study of the feasibility of the proposed station have been rejected by both NECIP and Amtrak primarily because of reduced funding levels. A "beltway" station in the Bronx is no long-term planning goal, but a need today.

Mr. ROONEY. Thank you very much, Mr. Rossi.

On page 2, you state, and I quote:

No amount of route redrawing will ever save the system unless Congress takes firm steps to solve Amtrak's operating problem. The problem is twofold. On one hand, Amtrak lacks authority to compel ConRail to operate at other than its own convenience. On the other hand, Amtrak cannot perform its own responsibilities.

I wonder if you would care to elaborate on that statement in more specific terms.

Mr. ROSSI. I think, in listening to different people's perspectives, Amtrak is responsible for those trains, but they don't call the crews, they don't operate the train, itself, except in the Northeast corridor.

We find—and in the interest of ConRail I am not saying ConRail is different from other railroads—they have taken tremendous interest in those trains.

They want to know the station time of the trains, the scheduling of the trains, and without any one person responsible for the decision, it essentially allows both of them to play each other off.

The statement before mine—the railroad testimony on the reimbursement provisions—pointed out that in order to accomplish the overall design for any particular Amtrak route depends on the circumstances of such route and of the railroad called upon to provide the service.

Then, it concludes that:

In summary, the railroads on whose behalf this statement is filed would like to stress that Amtrak cannot reach its long-term objectives without a working arrangement with these railroads which permits a fair and equitable compensation to those railroads for the services and facilities provided to Amtrak.

The railroads are in a stronger position than they ought to be, I feel, if Amtrak is going to run the trains. If we want the railroads to be responsible for the trains and contract directly with them, that is another potential way to go.

I am not, at this point, really advocating one or the other. I think the DOT study ought to examine this, but what I am seeing today

is day-to-day squabbling different agencies having a piece of the responsibility. I don't think that is good for the public.

Mr. ROONEY. You attached to your testimony a February 9 letter from New York Department of Transportation Commissioner Hennessy to Secretary Brock Adams.

In this letter, Commissioner Hennessy states that Illinois, Massachusetts, Michigan New York, and Ohio, have agreed on a restructured Northeast service.

I wonder if you can tell the committee all of those specific service outlines of the area.

Mr. ROSSI. The States endorsing the concept there are Michigan and Ohio. I have not, myself, seen a statement from Massachusetts, although I have spoken with them, and I understand all of the New England States approve of the concept.

Since that time, Pennsylvania, which did have misgivings about the scheduling, particularly with the problem of Erie, Pa., has worked out a sequence of steps that led them to essentially the same service over a period of years.

That has not been transmitted, but I think what it indicates is a very broad feeling among all the States that a much better service pattern could serve the short-haul rider.

The Amtrak executive officer said that a lot of ridership is interconnected from train to train, and tampering with the trains, more specifically the short-haul trains, has serious financial costs.

My answer to that is that is the natural consequence of design for the schedule to support interconnecting trains—if you go to Pittsburgh at 3 in the morning—no one in Pittsburgh will ride it, but it will make connections.

I think the question is—and this is the feeling of the States—if it were to serve Pittsburgh and Cleveland, even if you sacrifice some through ridership, we ought to be able to draw a greater amount of revenue, and the cost of serving that market ought to be much smaller.

Mr. ROONEY. Thank you very much. We appreciate your being here.

Mr. ROSSI. Thank you, Mr. Chairman.

Mr. ROONEY. The gentleman from Illinois is recognized.

Mr. MADIGAN. I have no questions, thank you, Mr. Chairman.

Mr. ROONEY. Thank you very much for being here.

Mr. ROONEY. Our last witness is Mr. Lawrence T. Joyce, Chairman Keystone Association of Railroad Passengers, Harrisburg, Pa.

Thank you very much for being here, Mr. Joyce. I appreciate all the help you have given me in my own community of the Lehigh Valley, and I appreciate you being here this afternoon.

STATEMENT OF LAWRENCE T. JOYCE, CHAIRMAN, KEYSTONE ASSOCIATION OF RAILROAD PASSENGERS

Mr. JOYCE. I guess we are in somewhat the same position. I remember how you tried to save the train service in Pennsylvania when you were in the State legislature, and we are attempting to do pretty much the same thing now.

I plan to speak on three general points. One is the route reexamination and route structure, another deals with the relationship between Amtrak and the commuter railroads and finally what can possibly be done to improve the service, and particularly on-time performance by the railroads for Amtrak trains.

The primary consideration in developing any system route structure should be the routing of trains through towns and cities where people are and connecting those cities and towns with rail service where people are most likely to travel. The second area, but of almost equal importance, is the class of service that will most likely attract the greatest number of people at the lowest cost.

There are many ways of determining the most heavily traveled corridors. The Civil Aeronautics Board's Origin-Destination Survey of Airline Passenger Traffic for example provides the amount of airline traffic between most corridors. On a map then these heavily traveled corridors would resemble a disjointed skeleton. It would be necessary then to connect these corridors so that a national rail passenger system could be achieved. Such a route system would provide rail passenger service in heavily traveled corridors, as well as connecting these corridors with other centers of population, an objective that is not now achieved by the present Amtrak route structure.

Generally, only a limited amount of funds are available for any transportation project, therefore, certain parameters must be established. The Keystone Association recommends that DOT be instructed to consider the proposed route structure at three levels of operation.

Level one would be a route structure of less than 25,000 miles, or less than the current Amtrak structure level.

Level two is a system which would be equal to the present Amtrak structure level.

Level three would be an expanded Amtrak structure pretty much like, and would be equal in size with that recommended by the National Association of Railroad Passengers.

Specific routes should then be considered for each of these three levels of operations based on the previously stated objective of routing trains and people between places where people want to go; and an equally important objective, that whatever level is eventually selected, the system must be national in scope. That means that not only should the most promising traffic corridor be served, but they must be interconnected. Annual ridership and revenue passenger-miles are estimated as the summation of the traffic imputed to each route selected for inclusion in either the level I, level II, or level III route structure. At this point train frequency over a specific route should also be projected.

Once estimates of potential traffic is developed, the next step is projecting costs for the operation of each structure. Two classes of service should be considered: One would be essentially coach class, and the other a combination coach-first class, as is currently provided by Amtrak. The coach class service would exclude sleeping and lounge service and dining service would be reduced to a dinette-lounge or transcontinental trains with prepared airline-type meals available at the seat of the passenger.

Coach class service, therefore, should substantially reduce the high cost of providing medium- and long-distance train travel by eliminating the cost of operating and maintaining sleeping, dining and lounge cars, and by eliminating the labor cost for coach and sleeping car attendants, the dining car staff and lounge car attendants.

The cost of providing both coach class and coach-first class should be developed for each route proposed for inclusion, as well as for level I, level II and level III systems, respectively. These costs in conjunction with previously developed projection of passengers and revenue passenger-miles would become the basis for developing a projection of costs per revenue passenger-mile for each route and for the three levels of service. This methodology would provide the recommending agency on route structure a decisionmaking tool for selecting those routes with greatest traffic potential and at the same time it would show the cost of providing two classes of services for any route structure of level I, level II and level III systems.

The opportunity of selecting one of two classes of service would provide USDOT the alternative of recommending the present route structure at the same overall cost at coach class service as opposed to recommending shrunken route structure at a higher class of service; or better, it could mean recommending an expanded route system with coach class service for the same cost as is now provided by the present route structure with the coach and first-class service.

The Keystone Association is of the opinion that the objective should always be the most rail passenger service at the lowest possible cost based on the cost per revenue passenger-mile. We also recognize that even if coach class service were universally applied over the Amtrak system, long distance costs would probably exceed the costs in the corridor markets. However, the long distance markets are essential so that route structure remains integrated.

Before condemning a system short on amenities, recall that Greyhound has done a masterful job in attracting passengers with only a minimum of luxury. In fact, on-board toilet facilities are a relatively new innovation in bus travel.

The airlines have found that the public is willing to accept lower fare coach travel as opposed to higher cost first-class service, so much so, that the first-class bulkhead appears moving continually forward to crews' compartments. Historically, Pullman cars did not appear on the railroad scene for almost 40 years after the public's acceptance of coach travel.

There are two other very important reasons for recommending an expanded system at coach class service. Only about 4 percent of Amtrak's 19 million passengers travel first-class, and on the more favorable revenue passenger-mile basis, the proportion is only 10 percent. Even on the Southwest Limited, the Chicago-Los Angeles train, the ratio of first-class passengers to total passengers is only 11.8 percent, and on a revenue-passenger-mile basis, the ratio is only 15.9 percent. Should all first-class service be eliminated and none of the first-class passengers choose to accept coach service as an alternative, Amtrak would lose only 4 percent of its passenger and revenue-passenger-miles would decrease by only 10 percent.

This minor loss in passengers and revenue must be balanced against a much greater saving in the expense of providing first-class

service. Most important, since it appears that Amtrak will be required to operate on a restricted budget for the foreseeable future, a choice should be made now between coach class service and coach first-class, and the Amtrak system should be built around that choice. The Keystone Association recommends that since all citizens are now paying for Amtrak service, all should benefit to the greatest extent possible, meaning that Amtrak's system should be extended to the greatest limits within the scope of the financial assistance available.

The Keystone Association recommends an expanded route structure with all-coach service in lieu of the current route structure and combination coach-first-class service. If sufficient funds will not be available to even maintain the current route structure, or one of equal size, with the current service, then the Keystone Association recommends that in order to maintain the present route structure coach class service be instituted on all routes.

The National Railway Passenger Act stipulates that dining and sleeping car service shall be provided on train service over routes which extend beyond meal period of when trains operate overnight. Any change must have prior approval of the Interstate Commerce Commission. The same conditions applies to the closing of stations. These decisions are essentially management decisions or, at least they should be, and since they most likely would arise from operational considerations, we fail to understand how a bureaucrat in Washington would be able to make a better decision than Amtrak management. The Keystone Association recommends that the law be changed so that Amtrak management may more effectively respond to the day-to-day operation of rail passenger system.

A major portion of the commuter rail service in the United States is performed in the area of the Northeast corridor, or adjacent thereto, much of it by ConRail over its own tracks and over the tracks and right-of-way of Amtrak. The current law apparently restricts Amtrak from providing such service. The Keystone Association believes that the restriction of Amtrak to intercity passengers should be changed and Amtrak should not only be permitted, but should be encouraged to provide, commuter service not only over its own tracks, but also tracks of other railroads.

ConRail and other railroads of the United States are essentially freight carriers with little inclination for hauling passengers. For example, the present management of ConRail consists of essentially the same people who managed Penn Central and many of these people were employed by the Pennsylvania Railroad prior to the merger. Neither management of the Pennsylvania Railroad or Penn Central were passenger-oriented and on many occasions, the management of these corporations had been accused of discouraging ridership with dirty equipment, late trains and missed connections, which, in turn, became the basis for a successful plea to the ICC for abandonment of passenger service. We believe that commuter service can only improve if Amtrak, a corporation dedicated to passenger service, is encouraged to operate all passenger service, including commuter service.

Car servicing by Amtrak rather than ConRail should improve the maintenance of commuter equipment, thus improving both

passenger on-time performance and passenger comfort. Amtrak plans the construction of a major repair facility at Wilmington, Del., with smaller maintenance facilities to be located at Washington, Philadelphia, New York, and Boston. Servicing both through passenger equipment of Amtrak, along with the commuter equipment of the various authorities located in these cities, would provide a much more efficient overall operation and probably improve the pervehicle unit cost for the maintenance of equipment for both Amtrak and the authorities.

In this regard, we believe some consideration might be given to the idea of letting Amtrak provide freight service for traffic originating and terminating on tracks owned or operated by Amtrak.

We, also, highly recommend the concept of hauling U.S. mail by Amtrak trains. In addition to providing Amtrak with additional revenue, it should improve mail service. Amtrak, when on time, can match many airline schedules under 1,000 miles and surpass most truck mail service at any distance. The addition of mail service would complement Amtrak's express service which should reduce the handling costs by using the same equipment, facilities, and personnel.

H.R. 11493 would provide incentive payments to the railroad; that is, additional payments above avoidable costs, only when on-time performance exceeded 80 percent. The Keystone Association opposes any incentive payment to the railroads. This opposition is based on our belief that the carrot does not work and that the stick is much more effective. This is not our conclusion alone. The General Accounting Office came to the same conclusion in a report titled "Amtrak's Incentive Contracts with the Railroads—Considerable Cost, Few Benefits".

The on-time performance of the Broadway Limited, a ConRail operated train, for example, for the 7-month period of June–December 1977, was 18, 9, 18, 43, 53, 56, and 14 percent. The current scheduled elapsed time of the Broadway Limited between Washington and Chicago is 19 hours at an average speed of 47.5 miles per hour. This is approximately the same elapsed time of the Pennsylvania Limited in 1903, 85 years ago. After World War II, the Broadway Limited was operated on a 16-hour schedule, New York–Chicago, indicating that the present schedule contains a lot of slack and that a consistent on-time performance can be accomplished. In addition, on-time performance for Amtrak trains is distance related; that is, the greater the distance, the greater the leeway. The GAO concludes that Amtrak spent \$32.6 million in incentive contracts with 10 railroads from July 1974, to June 30, 1976. However, "on-time performance has improved mainly because of the definition of on-time and because of loosened schedules, not because of incentives."

The Keystone Association will not attempt to recommend any punitive measure that should be applied to the railroads which would force them to provide the service for which they are being paid. However, we do point out that taking public funds without providing the service contracted for is fraud and Congress should be able to come up with a law to punish those railroads and railroad officials that continue in that practice.

The Keystone Association supports an operating subsidy of \$550 million and a capital subsidy of \$341 million, with additional ex-

penditures of \$83 million and \$25 million for the Northeast corridor.

We believe that if the operating subsidy is reduced to a point where a reduction in Amtrak route miles must be considered, we suggest, as an alternative, that the route miles of the system be maintained and that first-class service be eliminated, including dining car service, so that Amtrak's route structure might remain intact. We also suggest that Amtrak's route structure might, in the same way, be expanded, that is, by relying essentially on coach class service. In this regard, we recommend that the law be changed by permitting Amtrak's management, rather than ICC, to decide when and on what trains sleeping, dining, and lounge car service should be provided and which stations should be manned.

We believe that Amtrak's main problem is its inability to effectively deal with those railroad that are consistently indifferent to on-time performance of Amtrak's trains, and who fail to provide adequate maintenance for Amtrak's equipment. Since the taxpayer provides the major portion of the payments to these railroads, Congress should provide Amtrak with effective legal tools to recover taxpayers' moneys spent for which service was not received. If this is not possible, then we would recommend the Department of Justice be encouraged to prosecute both railroads and railroad officials who essentially are defrauding the taxpayers. We might add, that we don't believe that any incentive payments to the railroads will correct this problem.

Thank you very much, Mr. Chairman.

Mr. ROONEY. Thank you. We appreciate your appearance before the committee this afternoon.

Tell me something about the Keystone Association of Railroad Passengers.

Mr. JOYCE. I guess you might say it is a State auxiliary of the National Association of Railroad Passengers. We have one chapter, the Lehigh Valley Chapter, which is pretty autonomous in somewhat the way the Keystone Association is to the national organization.

We have approximately 200 members on the State level and, I believe, the Lehigh Valley Chapter has about 106, or somewhere in that area. Some of these are members of the national association, of the State, and also the Lehigh Valley Association; and, of course, some of them are not.

Mr. ROONEY. I might say we have here Mr. Bill Hubbard, who is the chairman of the Lehigh Valley Association.

Mr. JOYCE. We came down together.

Mr. ROONEY. On the same train?

Mr. JOYCE. Right, the Metroliner.

Mr. ROONEY. Mr. Madigan?

Mr. MADIGAN. Thank you, Mr. Chairman. I have just one question for this gentleman.

Roughly, we are talking about a \$500 million a year operating loss for Amtrak, and a 5-year projection indicates it is going to be somewhere in the neighborhood of \$1 billion a year.

I have always supported appropriations for Amtrak since I have been a Member of Congress.

A few weeks ago, I was a passenger from Urbana, Ill.—in my district—to Chicago. It was a new train, and part of the Amfleet. It was 2 hours and 5 minutes late. The heat did not work; the lights did not work. At 11 o'clock in the morning, the dining car was closed. I had a compartment because I had been told the train would be dirty and the toilets would be full, and everything else.

So, I had a compartment, and there wasn't any toilet. There were empty beer cans and chicken bones on the floor of my compartment.

Why in the world, I, as a Member of Congress, would vote money to continue something like that?

Mr. JOYCE. I agree with you, to this point, and I think it goes back to what I have said. I believe the responsibility for the cleaning of the train and the maintenance—at least a portion of that—rests with whatever railroad that train was on. Though I am not absolutely certain of that, I believe that to be true.

This is the failure, again, of the railroads to provide the service for which we are being paid for, and in a similar manner, the failure of the railroad to provide on-time performance.

The Broadway Limited, for example, as I pointed out, 91 percent of the time it was late. This doesn't mean it was 5 or 6 minutes late.

In January, in Lancaster, on two separate occasions, it came in 4 hours late, and the other, 5 hours late. This was mostly on the ConRail Railroad.

So, again, I don't know what you can do. There must be some way the Congress can force these railroads, since they are taking public money, to operate on time and in a manner that they are being contracted for.

But I don't know how to do it. I don't know what laws could force them, but it must be done if Amtrak is going to succeed.

The Broadway traffic went down, I believe, 24 percent over the period 1976 versus 1977, when this horrible on-time performance occurred, because you miss every connection both east and west when a train is that late.

Your traffic just disappears. It is remarkable that Amtrak can maintain the number of people with the type of service they are receiving.

The Northeast corridor is fairly good. Harrisburg-Philadelphia is good. We had the highest—I think, 79,000 people—in the month of December, the highest we ever had.

But the type of equipment is poor. People will ride the trains, almost under the worst conditions. It is remarkable.

Mr. MADIGAN. Would you agree there isn't much point in continuing the system if it is going to continue to be operated in that manner?

Mr. JOYCE. No; I think the system should continue to be operated, but I think somehow or other, something should be done to force the people who operate it to operate it the way they are supposed to be operated, the way the contract was written.

Again, I don't think it is a good idea to give these people an incentive payment in addition to what they are already being paid, simply to do what they are contracted to do under the original pay-

ment. I think, somehow, the Congress must be able to come up with a law to force those railroads to operate on time.

It is an old story. Twenty years ago, the railroads didn't want to operate passenger trains. The same people are there, and the same people don't want to operate passenger service. But now they are getting paid for it and they should be made to operate on time, have clear cars, and whatever.

Mr. MADIGAN. If they simply say, "All right, we won't take the money, we will continue to do it and we don't want the money," then we haven't accomplished anything.

Mr. JOYCE. I think they are required to take it. I think the law is so written, the National Railway Passenger Act, requires them to operate these railroads, at least the ones that became part of the system in 1971. I believe that is the way the law was written. I am not certain about the railroads over whose track additional service was provided, or requested, but I think that is the way the law was written in 1971. They are required to do it.

Mr. MADIGAN. Might a better approach be to have a regional Amtrak management person, or team, responsible for seeing that train is cleaned and on time, has electricity working, and things like that?

Under the present system, nobody is responsible for anything. No damned responsibility is assumed anywhere in this whole damned system.

Mr. JOYCE. That might be a very, very good way to handle it, Mr. Madigan. I think there is another problem. Even if you had a manager, there is no way that manager can force that railroad to provide that service. That is the problem.

You have Amtrak over here and the railroad over here. The railroad doesn't want to, and there is no way this Amtrak manager can force it.

If there is such a way, then there is serious question in my mind about the ability, and the seriousness of Amtrak management to even operate the system. But I haven't addressed that. I assume they are attempting to do the best they can, but they have a problem with the railroads.

It may be something other than that, I don't know.

Mr. MADIGAN. Thank you, Mr. Chairman.

Thank you, Mr. Joyce.

Mr. ROONEY. Mr. Joyce, what has been the cooperation between the Federal Government—when I say the Federal Government, I am talking about Amtrak and ConRail—versus your organization and Penn DOT?

Mr. JOYCE. Could you repeat that?

Mr. ROONEY. What has been the cooperation between the Federal Government and your organization, vis-a-vis DOT and Pennsylvania, headed by Mr. Tennyson?

Mr. JOYCE. We have had a very close relationship with Penn DOT. They have provided us with information when we have asked for it. Mr. Tennyson speaks at our meetings.

Mr. ROONEY. That is not getting trains back on the line.

Mr. JOYCE. I do not know, Mr. Chairman, what the problem is between Penn DOT and ConRail. It appears—Mr. Hubbard has

communications between ConRail and Mr. Tennyson—and it would appear that ConRail is very reluctant to institute the service, for instance, in the Allentown-Bethlehem area.

Of course, the real market in that area is the Allentown-New York area connecting up with the Philadelphia-Harrisburg service.

I don't know. My honest opinion is Penn DOT is sincere. They are trying to get the service, but ConRail simply doesn't want to provide it. Of course, that is an opinion.

Mr. ROONEY. Thank you very much, Mr. Joyce, for appearing before the committee today. I can assure you, concerning that statement of yours about ConRail, I will have a discussion with them first thing in the morning, and we will hopefully, get that train back on the track.

Mr. ROONEY. Mr. Joyce, we appreciate your coming. Thank you. That concludes today's hearing.

[The following statement and letters were received for the record:]

STATEMENT OF WILLIAM L. BARWIS, MANAGER, RAIL PASSENGER OPERATIONS,
MICHIGAN DEPARTMENT OF STATE HIGHWAYS AND TRANSPORTATION

Mr. Chairman, I appreciate the opportunity to present testimony regarding HR 11089 on Amtrak. With your permission, I would like to submit for the record a letter from Mr. Woodford, our Director, to Secretary Adams outlining Michigan's position on rail passenger service.

While we are not in a position to comment on Amtrak's overall appropriation, we are concerned that Amtrak be able to carry out worthwhile capital improvements and expand service when a State commits matching funds. Michigan alone has spent six million dollars for Amtrak operating deficits and capital improvements over the past four years, and Governor Milliken has recommended increased State expenditures for rail passenger service in the future. Not only have we funded capital improvements on State-subsidized routes, but substantial amounts have been invested in the Detroit-Chicago corridor, a vital part of Amtrak's basic system, providing direct benefits to Amtrak.

For example, one of the three Michigan trains (Chicago-Port Huron) brings large numbers of passengers each year to Chicago who connect to other Amtrak trains. Most of these passengers would not otherwise be able to use the Amtrak basic system. The other five states sponsoring Section 403(b) service have also made substantial commitments that should be recognized by Congress and the Administration.

Despite these cooperative efforts, Federal rail passenger appropriations have recently been restricted, forcing Amtrak to eliminate or delay implementing new Section 403(b) trains and related capital improvements. The delays have caused embarrassment to State governments who appropriated funds for intercity trains and then learned that Amtrak was unable to fund its share as provided under Federal law. Considerable effort and support from citizens are required to pass state legislation funding the service, and this does not occur until thorough reviews are made of the benefits versus costs. We believe that the Congressional intent in enacting the original Section 403(b) was to allow for expansion of the basic system if state or local funding was provided, and not to unduly restrict this program at the federal level.

In deciding what funding level is needed by Amtrak in the future, we hope that Congress will consider Section 403(b) services a vital part of the Amtrak system and we recommend that Congress designate a portion of Amtrak's annual operating and capital appropriations for 403(b) services and improvements.

I would also like to comment on other provisions of this bill that could transfer current Amtrak functions directly to the federal government. Specifically, direct government control of the Amtrak Board and the proposed new responsibilities of the Comptroller General would add new layers of bureaucracy to the organization and would not correct its basic flaws. In particular, this bill does not strengthen Amtrak's relationship to the railroads who con-

sistently operate passenger trains late. For example, Conrail's performance on the Detroit-Chicago corridor reached an all-time low of 10 percent last November and has been below 50 percent for the last year.

We recommend that no structural changes be made in Amtrak until after the DOT study is completed and accepted by Congress, and again that funds be designated for 403(b) services.

STATE OF MICHIGAN,
DEPARTMENT OF STATE HIGHWAYS AND TRANSPORTATION,
Lansing, Mich., February 27, 1978.

Hon. BROCK ADAMS,
Secretary of Transportation, 400 7th Street, SW., Washington, D.C.

DEAR SECRETARY ADAMS: Michigan has actively participated in rail passenger service and would like to present its position regarding the route study now under way.

The state's first priority is the Detroit-Chicago corridor, which is also one of Amtrak's most important routes in the country. Spectacular ridership growth in 1975 and 1976 resulted from new equipment and a third round-trip on the corridor. It was hailed by Amtrak as a model for other corridors and has received a great deal of attention. However, ridership has slipped over the past two years because of poor on-time performance caused by deteriorating Conrail track between Detroit and Kalamazoo. The railroad has agreed to upgrade the worst segments and the state has programmed funds over the next few years to increase the speeds. In the long term, however, additional trains are required to reach the entire Detroit-Chicago market.

In the short term another situation has arisen that needs attention. The present New York City-Detroit train operates on a daytime schedule and the Buffalo-Detroit segment is subsidized by Michigan and New York under Section 403(b). This subsidized segment operates almost entirely through Canada, thus providing little direct service to the sponsoring states. However, this route was chosen because it is several hours faster than the southerly routing via Ohio. It is the only service connecting Michigan directly with the East Coast, but has suffered from poor scheduling and on-time performance. The appropriate schedule would be overnight, similar to the Lake Shore Limited, and operating through Michigan to Chicago on one of the existing Detroit-Chicago schedules. This proposal would retain service between the first and fifth largest cities in the country (New York and Detroit), would add the substantial markets of Ann Arbor and Kalamazoo to a New York-Chicago train and would cut at least one hour from the New York-Chicago running time of the Lake Shore.

While Michigan has been promoting such a schedule with Amtrak for a long period of time, we and New York have been unable to agree on a new schedule marketable to all communities in New York, a prerequisite for their continued subsidy, and Michigan is unable to continue subsidizing this operation after 1978 because of low ridership on the present schedule. If Amtrak assumes full responsibility for the New York-Detroit-Chicago train, the only additional train miles will be between Buffalo and Detroit, of which only half of its deficit has been covered by state subsidies. The benefit of connecting the entire Detroit-Chicago corridor with New York more than compensates for the added mileage.

Related to this proposal, several Northeast states met on January 5 in Chicago to develop a common position on future service in the region. Michigan endorses in principle the position presented to you by New York and other Northeast states which contains fewer overall train miles than presently operated by Amtrak, even with the New York-Detroit-Chicago service. The New York State proposal may need further review and refinement, but we agree with its emphasis on improving service in high-density corridors.

We look forward to working with the Federal Railroad Administration and Amtrak on the study and future service.

Sincerely,

JOHN P. WOODFORD, Director.

Enclosure.

4:30 p.m.	.....	New York	.....	3:10 p.m.
7:50 p.m.	.....	Albany	.....	12:15 p.m.
1:40 a.m.	.....	Buffalo	.....	4:45 a.m.
8 a.m.	.....	Detroit	.....	11:55 p.m.
12:45 p.m.	.....	Chicago	.....	4:45 p.m.

OHIO ASSOCIATION OF RAILROAD PASSENGERS,
Xenia, Ohio, March 17, 1978.

Re. H.R. 11089 (McFall).

Hon. FRED B. ROONEY,

Chairman,

Subcommittee on Transportation and Commerce,
Washington, D.C.

To provide for the designation and implementation of a revised basic rail passenger system, the restructuring of the National Railroad Passenger Corporation, and for other purposes.

STATEMENT FOR THE RECORD

I recommend that H.R. 11089 be defeated. It does nothing positive to improve our Nation's rail passenger service system. Furthermore, it will effectively destroy the rail passenger service system we now have, a system which is in need of improvement and expansion to meet the transportation needs of the United States in the years ahead. The system does not need to be downgraded and destroyed.

I am the president of the Ohio Association of Railroad Passengers, an organization of concerned citizens working on a volunteer basis to promote travel by train and working to urge the improvement and expansion of rail passenger services in and through Ohio. The work of OARP is supported solely by the dues and donations of its 400+ members.

America must have a reasonable, reliable, dependable, safe, energy-efficient, economical, all-weather mode of land transportation—for long-distance travelers as well as for intercity travelers and commuters. Modern rail transportation can meet all these requirements. Indeed, the National Railroad Passenger Corporation (Amtrak), despite sometimes overwhelming odds, has shown that it can succeed in meeting the travel needs of more and more Americans—if given a chance.

H.R. 11089, in my opinion, seeks to destroy what has already taken too long to build up. Amtrak is in need of added positive and adequate support, financial and otherwise. H.R. 11089 does not provide positive, nor adequate, support.

(1) H.R. 11089 would cut Amtrak's Board of Directors to three persons, two of whom would be members of the Cabinet. This puts the power dangerously in the hands of a few. I object strongly to this.

The present Amtrak Board has provision for consumer representation. The proposed Board under H.R. 11089 has none. It has been shown that the consumer representation on the Amtrak Board has been both valuable and significant to the ongoing successes of Amtrak. There is a definite need for a transportation corporation serving the public to provide for public input, consumer input, on its board. We do not want the Amtrak Board of Directors to be deprived of the consumer representation presently afforded.

(2) H.R. 11089 would end the "for-profit corporation" status for Amtrak and thus make Amtrak a government agency. I believe the present "for-profit corporation" status can work if given a chance and that this would be in the best interests of the United States. I believe that as a 100% government agency, rail passenger service would become even more a burden on the taxpayer's backs than it is alleged to be at the present time. Assuming that history will repeat itself, under H.R. 11089's proposal, Amtrak as a government agency will become more and more bureaucratic and inefficient while the price tag goes up and up and the rail passenger service to the traveling public goes down and down.

(3) Amtrak must have added financial support, not less. The sharply reduced Amtrak budget, called for under H.R. 11089, will in itself almost totally destroy Amtrak at a crucial time when the Corporation needs to make extensive improvements in facilities, equipment and motive power, stations, operations, and in marketing and promotion. But when one compares what Amtrak had to work with when it made its start in 1971 with where it is today, we do see a great deal of progress. And Amtrak has admittedly had some rough going. And there are forces which are determined to work from within and without to destroy rail passenger service in this country, and these forces must be challenged.

True, there is a need for Amtrak to make some route changes so as to better serve more people of this nation. And there is a need for tighter control over

the charges that the contract railroads are billing to Amtrak. And despite the arrival of new Amfleet equipment, the Corporation still has a desperate need for a significant number of more reliable locomotive units and passenger cars, plus improved maintenance facilities. We hear less and less these days about cars with no lights, cars with no water, cars with no heat in winter and no air-conditioning in summer. But, we still get reports from our members about these conditions when they take a rail trip. Amtrak *has* made improvements in rail travel conditions, but there is a long way to go.

Amtrak needs to cooperate with the United States Postal Service in the improved handling of bulk mail (carload) between the 21 Bulk Mail Centers (BMC) across the country, utilizing existing as well as new Amtrak trains and routes.

Many station improvements have been accomplished in various cities and towns served by Amtrak, but there is a need for better station facilities at many additional sites. And there is a need for improved cooperation between Amtrak and various bus lines to create and promote intermodal transportation to insure less dependence on the gas-guzzling private automobile for personal transportation.

And there is a clearly demonstrated need for additional or new rail passenger services in some logical inter-city "corridors" such as: Chicago—Toledo—Cleveland—Pittsburgh, Cleveland—Columbus—Dayton—Cincinnati—Louisville, just to cite a couple of examples close to home.

The present Administration does not seem to grasp the urgency of developing and improving and expanding passenger rail as the transportation mode of tomorrow. Energy resources, despite what some people tell us, are slowly becoming scarce. There are powers in the world who might not hesitate to "turn off the valve" and leave the United States high and dry, without any alternative means of energy-efficient mass transportation.

We need modern rail passenger transportation. We need improved rail passenger services. We need expanded rail passenger services. But I don't believe H.R. 11089 will come close to meeting our needs.

Respectfully submitted,

THOMAS R. PULSIFER, *President.*

PENN CENTRAL TRANSPORTATION CO.,
Philadelphia, Pa., April 20, 1978.

HON. FRED B. ROONEY,

Chairman, Subcommittee on Transportation and Commerce,
Washington, D.C.

DEAR CONGRESSMAN ROONEY: I write, on behalf of the Trustees of the property of Penn Central Transportation Company, in opposition to Sections 8 and 11 of H.R. 11493, the Amtrak Improvement Act of 1978. I request that the Trustees' views be made part of the record.

Section 11 of the bill could adversely affect existing, adjudicated rights of Penn Central vis-a-vis Amtrak in a manner we believe unwarranted, unjust and unconstitutional.

Section 402(a) of the Rail Passenger Service Act as originally enacted provided that railroads furnishing services, tracks and facilities to Amtrak were entitled to "just and reasonable" compensation. In reliance on that statute, Penn Central and other railroads entered into the so-called Basic Agreement with Amtrak, which (in Section 5.1) incorporated the "just and reasonable" standard of Section 402(a). The ICC held in 1973 that, pursuant to the statute and the contract, Penn Central was entitled to a basis of compensation which includes full-cost reimbursement in the North East Corridor and a fair rental, as a return on investment, for the use of tracks and facilities. *George P. Baker, et al., Trustees of the Property of Penn Central Transportation Company, Debtor—Compensation for Passenger Service*, F.D. No. 27353, 342 I.C.C. 820 (1973).

Thereafter, Section 402(a) was amended in 1973 to provide that with respect to the *provision of services* by railroads to Amtrak, though not with respect to the use of tracks and facilities, the ICC shall in fixing "just and reasonable compensation" consider quality of service as a major factor in determining the amount of any such compensation in excess of incremental costs. The Commission has twice held that the 1973 amendment affects, as indeed its language

clearly indicates, only the basis of compensation for the provision of services and has no effect on compensation for the use of tracks and facilities. *Amtrak and the Texas and Pacific Railway, Use of Tracks and Facilities and Establishment of Just Compensation*, 348 I.C.C. 645 (1976); *National Railroad Passenger Corp. and Terminal Railroad Ass'n. of St. Louis, Use of Tracks and Facilities and Establishment of Just Compensation*, 348 I.C.C. 901 (1977).

Now it is proposed, by Section 11 of H.R. 11493, to amend Section 402(a) yet again, and far more drastically, to deny railroads any compensation for the use of tracks and facilities by Amtrak except for "avoidable costs." This would presumably mean that no such compensation whatever could be awarded except in cases where the contracting railroad could prove that the tracks or facilities would be abandoned if passenger service were discontinued. It is conceded that the purpose of Section 11 is to overrule the ICC's decision in the *Texas and Pacific* case. Cong. Rec. February 2, 1978, S. 1110.

In addition, Section 11 would sharply limit contracting railroads' entitlement to compensation for the provision of services to Amtrak by permitting such compensation in excess of avoidable costs "only in proportion to increases in the quality of service and only where the railroad * * * provides ontime performance in excess of 80 percent of the time under the fastest practicable operating schedule." This language would drastically change, to the railroads' detriment, the standard for entitlement to compensation for services that was applicable under the law in effect when the railroads concluded their contracts with Amtrak, and even the standard that was applicable under the 1973 amendment.

While, with minor exceptions, Penn Central no longer provides services or tracks and facilities to Amtrak, the issue of Penn Central's compensation for past periods is still outstanding. If H.R. 11493 were enacted and were construed to apply to railroads which became parties to the Basic Agreement with Amtrak, it would, if held constitutional, substantially reduce the amount of compensation which Penn Central is entitled to recover for such past periods under existing law, its contract with Amtrak, and outstanding ICC decisions.

The Trustees and Amtrak have proposed to Penn Central's Reorganization Court a settlement agreement that would resolve the issue of Penn Central's entitlement to compensation, along with most other outstanding issues between them. The Reorganization Court held a hearing on the settlement agreement on April 7, 1978, and now has the Trustees' petition for approval under advisement. However, even if the Reorganization Court approves the agreement, the agreement provides that in the event of certain contingencies Amtrak may withdraw from the settlement, in which event all claims between Penn Central and Amtrak would be resurrected. Thus the Trustees, while they hope the settlement agreement will be approved and will remain in effect, are constrained to seek protection of Penn Central's rights by opposing the enactment of Section 11.

That section's apparent effects on Penn Central's rights would raise two serious problems of fairness and indeed of constitutionality. First, when Congress authorizes a government agency (the ICC) to compel railroads to provide services to Amtrak and to allow use of their tracks and facilities by Amtrak, the compensation paid in return must obviously meet eminent-domain standards if a taking without just compensation is to be avoided. Section 402(a) as unamended recognized that principle by requiring "just and reasonable" compensation. It is well established that it is the courts, not Congress, which give content to the constitutional words "just compensation", and that Congress cannot affect the meaning of those words "by setting either a fixed amount to be paid for property condemned or a principle for arriving at that amount." *Regional Rail Reorganization Act Cases*, 419 U.S. 102, 151 n.39 (1974). *Accord, Baltimore & Ohio R.R. v. United States*, 298 U.S. 349, 364-69 (1936); *United States v. New River Collieries Co.*, 262 U.S. 341, 344 (1923); *Monongahela Navigation Co. v. United States*, 148 U.S. 312, 327 (1893). Thus any amendment to Section 402(a) which changes the principles for determining the compensation payable by Amtrak, in such a manner that the amount of compensation would be reduced below the amount required for "just compensation," cannot stand. We believe the items of compensation which Section 11 of the bill would exclude—primarily return on investment—are indeed constitutionally required. The Penn Central Reorganization Court has indicated that its view is to the same effect:

"It is reasonable to assume that the final determination of 'just and reasonable compensation' would be consistent with the following fundamental legal principles: A private corporation may not be required to provide a public

service at cost, but is entitled to a reasonable rate of return on the investment involved; if each service performed is compensated for on the basis of incremental costs only, the provider of the services would not recover the total actual costs involved; use of an incremental cost standard for one service implies cross-subsidization of that service by other services, an approach which ordinarily assumes that the other services are being rendered at a profit, rather than, as in this case, a loss; and, while reasonable and feasible performance standards may properly be enforced through a system of incentives and penalties, any such program must be limited to matters within the control and financial means of the carrier." *In the Matter of Penn Central Transportation Co.*, 440 F. Supp. 1069, 1074 (E.D. Pa. 1977).

Second, Penn Central entered into the Basic Agreement with Amtrak on the basis of a law which provided, without qualification, for "just and reasonable" compensation, and they incorporated that standard into the Basic Agreement itself (Section 5.1). The Penn Central Reorganization Court has recognized that by the 1973 amendment "Congress changed the rules of the game" and that this raises "serious constitutional questions," primarily under the due process clause of the Fifth Amendment. *Ibid.* The proposed Section 11 would go much farther. Penn Central has a vested contract right to have its compensation fixed on the basis of "just and reasonable" compensation. Congress is barred by the Constitution from changing the contracted-for standard of compensation to the detriment of the railroads for the purpose of reducing Amtrak's, and ultimately the government's, expenditures. *Perry v. United States*, 294 U.S. 330 (1935); *Lynch v. United States*, 292 U.S. 571 (1934). *see Seatrains Lines, Inc. v. United States*, 99 Ct. Cl. 272 (1943).

This is underscored by the legislative bargaining process which led to the enactment of the Rail Passenger Service Act of 1970. The first version of the legislation contained a provision specifically limiting compensation for services to avoidable costs. S. 3706, Sec. 401(a) (91st Cong., 2nd Sess. 1970). That version also included no obligation on the part of participating railroads to make any contribution to Amtrak. In the legislation actually adopted, railroads desiring to divest themselves of their common-carrier passenger obligations were required to make a substantial initial contribution to Amtrak; however, the limitation of compensation to avoidable cost was stricken from the bill and the present language requiring just and reasonable compensation was added. Penn Central and other participating railroads thus chose to join Amtrak on the basis of a law which not only contained no limit on the Commission's discretion in the determination of just and reasonable compensation but also had a legislative history demonstrating that such a limit had been considered and rejected in the bargaining process leading to the final legislation. In Penn Central's particular case, the fact that the contract itself recognized the initial basis of compensation to be inadequate and provided for its redetermination on the basis of just and reasonable compensation after the initial 26-month period was a major inducement in the Trustees' recommending, and the Reorganization Court's approving, execution of the Basic Agreement with Amtrak. The Reorganization Court has explicitly so held. *In the Matter of Penn Central Transportation Co.*, *supra*, 440 F. Supp. at 1071, 1074.

Section 11 of H.R. 11439 is merely an attempt by Amtrak to improve its financial position by depriving contracting railroads of elements of compensation for the use of their property to which the railroads are entitled under Section 402(a), the Basic Agreement, established constitutional principles, several ICC decisions and fundamental considerations of fairness. We urge that Section 11 not be enacted.

The Trustees also oppose Section 8 of H.R. 11493, which provides that Amtrak "shall not be subject to any State or local law with respect to the construction, maintenance, repair, or rehabilitation of structures carrying public roads." This provision would absolve Amtrak from any obligation to pay for maintaining and repairing such structures, chiefly highway bridges and tunnels. There is an outstanding controversy concerning whether Amtrak acquired such structures, via Conrail, from Penn Central as part of the conveyance of property in 1976; the Special Court may have to decide this question. If Amtrak did acquire these structures, as we believe it did, we see no reason why Amtrak should not be subject to proper state and local laws like any other railroad. If Section 8 were enacted, the states, left with no recourse against Amtrak, might attempt to foist these costs on Conrail or even Penn Central, even though Penn Central is no longer in the railroad business.

Sincerely,

ROBERT W. BLANCHETTE.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF TRANSPORTATION,
Harrisburg, Pa., April 7, 1978.

Hon. FRED B. ROONEY,
Representative of Pennsylvania,
2313 Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN ROONEY: With specific reference to H.R. 11493 for the continued funding of Amtrak passenger train service in the United States, I wish to request that this letter be included in the record of public interest in this bill.

H.R. 11493 is much more acceptable than H.R. 11089 relative to the same subject. It appears that H.R. 11493 can go to conference with the Senate bill on this subject.

Adequate, but restrained funding for Amtrak is essential in the national interest. The nation is beset with several very real problems which H.R. 11493 will help solve or mitigate. These problems are:

1. The disastrous balance of payments deficit caused by the energy crisis. Amtrak can reduce energy use per passenger-mile.

2. Heavy highway traffic congestion in major urban centers. One Amtrak train with eight cars and 600 seats will relieve a city street of one lane of traffic for a full hour. The cost of an added city street lane defies analysis where land values are high.

3. Nearly 40% of the population has no driver's license to operate an automobile. These people need public transportation.

4. Amtrak experiences only one fatality among its passengers for every billion passenger miles. A highway traveler experiences 26 fatalities for the same amount of travel. Safer travel must be provided.

5. Amtrak has a proven record of attracting people from the highway, in spite of severe service deficiencies that this bill would help correct.

6. Congress has invested a billion dollars in Amtrak. The service must now be adequately funded to make use of that public investment.

7. Air travel is too expensive for travel in the under 300 mile travel range. An air trip costs \$24 plus 6¢ per mile, or \$42 for 300 miles. Amtrak costs only \$27 for the same with a 50% load factor, and that cost can be lowered with improved service. The \$27 cost (not fare) by rail includes right-of-way and capital that is furnished free by government to other travel modes. For distances under 300 miles, the Amtrak advantage gains rapidly. Since Congress funds highways, airways and waterways, in equity it should fund Amtrak.

8. Amtrak cannot be economically cut back, except for a few very poorly patronized trains. It can be expanded to reduce costs per unit of service. Gains of 200% or more are possible in select corridors.

9. Railroads have taken Amtrak's money without performing acceptable service. Amtrak should not have to pay for unacceptable service. Section 11 may help with this.

To help solve some of these problems, and to improve the results to be expected from H.R. 11493, a few modifications should be made, as follows:

Section 2(1). The \$550,000,000 should be subdivided into \$440,000,000 for operating and maintenance and \$110,000,000 for administration, liability, taxes and other non-operating charges.

Section 2(2) should be increased \$60,000,000 to a total of \$401,338,000 to provide for compatible equipment on the New York-Philadelphia-Harrisburg service and the Philadelphia-Washington fast local service for which Amtrak has no equipment at all. It cannot continue to borrow and steal rolling stock from others to maintain its heavily patronized services. Restoration of the direct route from Washington and Baltimore to York and Harrisburg is also required to save 110 miles per trip and to make the service useful.

A Section 2(5) should be added specifically for \$17,000,000 for section 403(b) funding of trains contracted for by states. The bill as drafted could shut down and prevent state rail services by providing no funding for Amtrak's legislated share.

Section 3(a)3, the loss computation should be the "solely related loss or profit per passenger-mile." Overheads from the fixed national institution are not a realistic charge against an incremental route.

Section 3(b)3 should also be a "solely related loss or profit" report.

Section 4(5) should change the Secretary's "advice and assistance" to the Secretary's "review" of the Corporation's plans for the development of such equipment. Past experience does not support the presently proposed language.

Section 8 must be deleted. This section will result in dangerous overhead bridges used by the public being absolutely no one's responsibility. In many cases, railroad high voltage wires are attached to these bridges which no one but Amtrak crews can touch. A bridge cannot be left up in the air with no one responsible for it.

If Amtrak needs the protection proposed by section 8, it might better read that (1) "The Corporation shall not be subject to any State or local law which would alter its obligations with respect to the construction, maintenance, repair, or rehabilitation of structures carrying public roads, except by mutual agreement."

Section 11 is very good and is recommended to the Congress.

Please be assured of our endorsement of the statement presented March 21, 1978. I believe, by John P. Killoran of West Virginia, who testified for the National Conference of State Railway Officials.

Many Congressmen have the understandable but not always valid impression that rail labor costs render rail passenger service uneconomic. While it is true that there is room for more modern labor agreements, the present agreements are not a major cause of Amtrak's problem. A four-man train crew (engineer, fireman, conductor and brakeman or flagman) is paid \$2.40 per train mile including fringe benefits. This is only 10% of the accountant's ridiculous fully allocated cost of train operation. A train of four coaches with 336 seats costs only $\frac{3}{4}$ ¢ per seat mile for crew, or $1\frac{1}{2}$ ¢ per passenger mile when half full. The fare is 8¢ per mile.

Should any questions arise, I will be pleased to address them. My telephone number is (717) 787-8197. I am authorized by Act 120 of 1970 to represent the Pennsylvania Department of Transportation on federal rail problems.

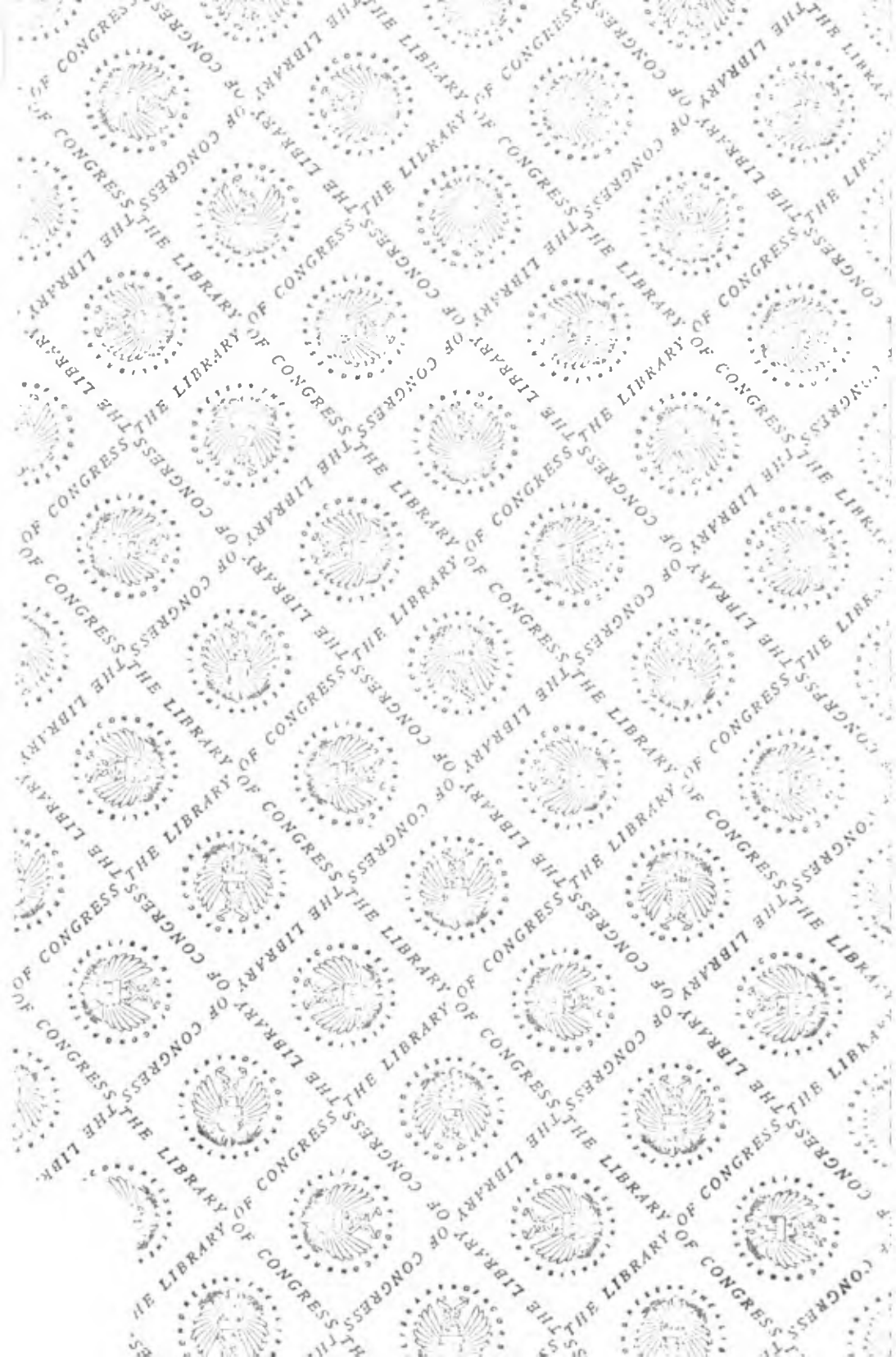
Respectfully yours,

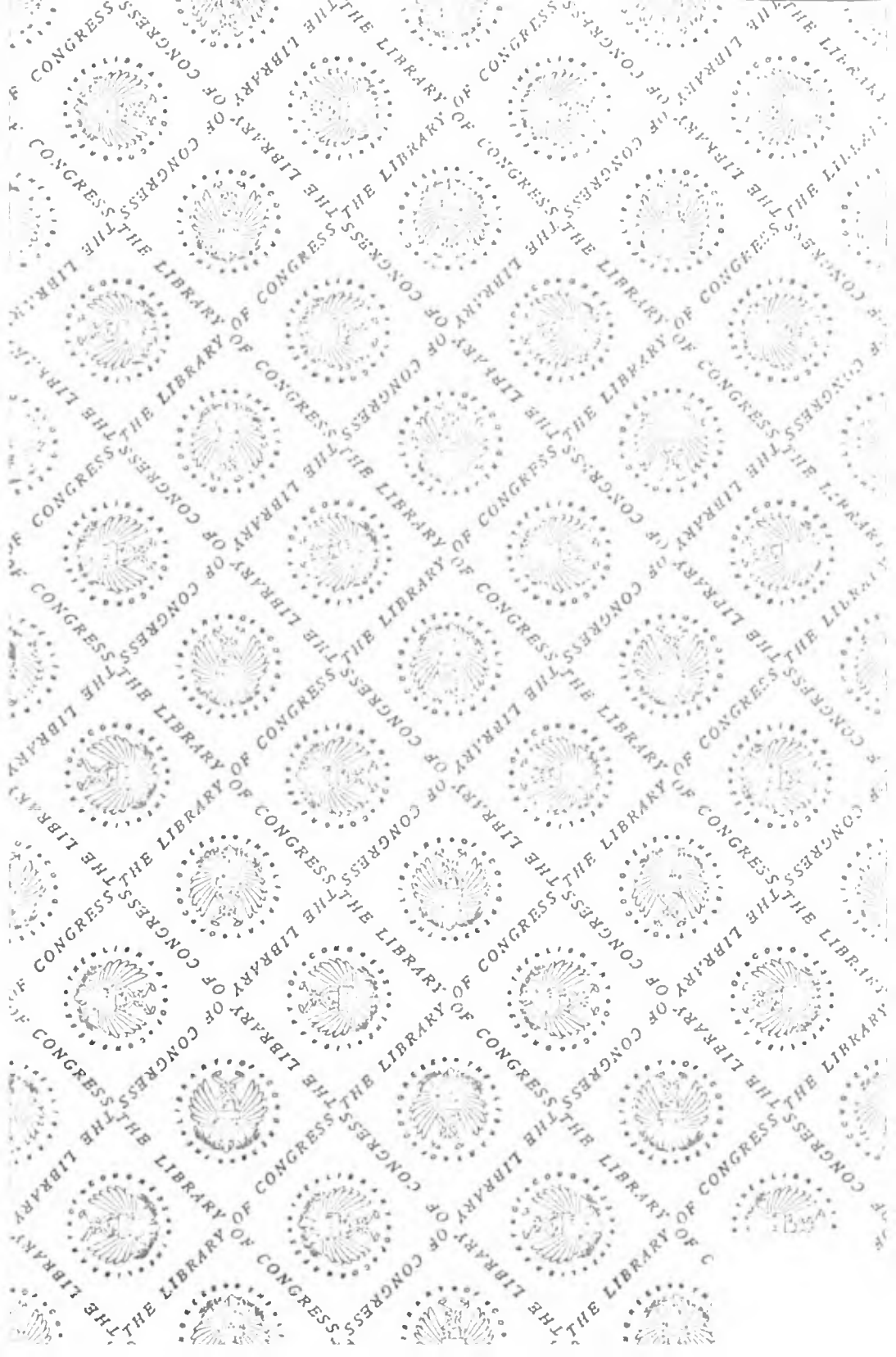
E. L. TENNYSON,
Deputy Secretary,
Local and Area Transportation.

[Whereupon, at 1 p.m., the subcommittee adjourned.]

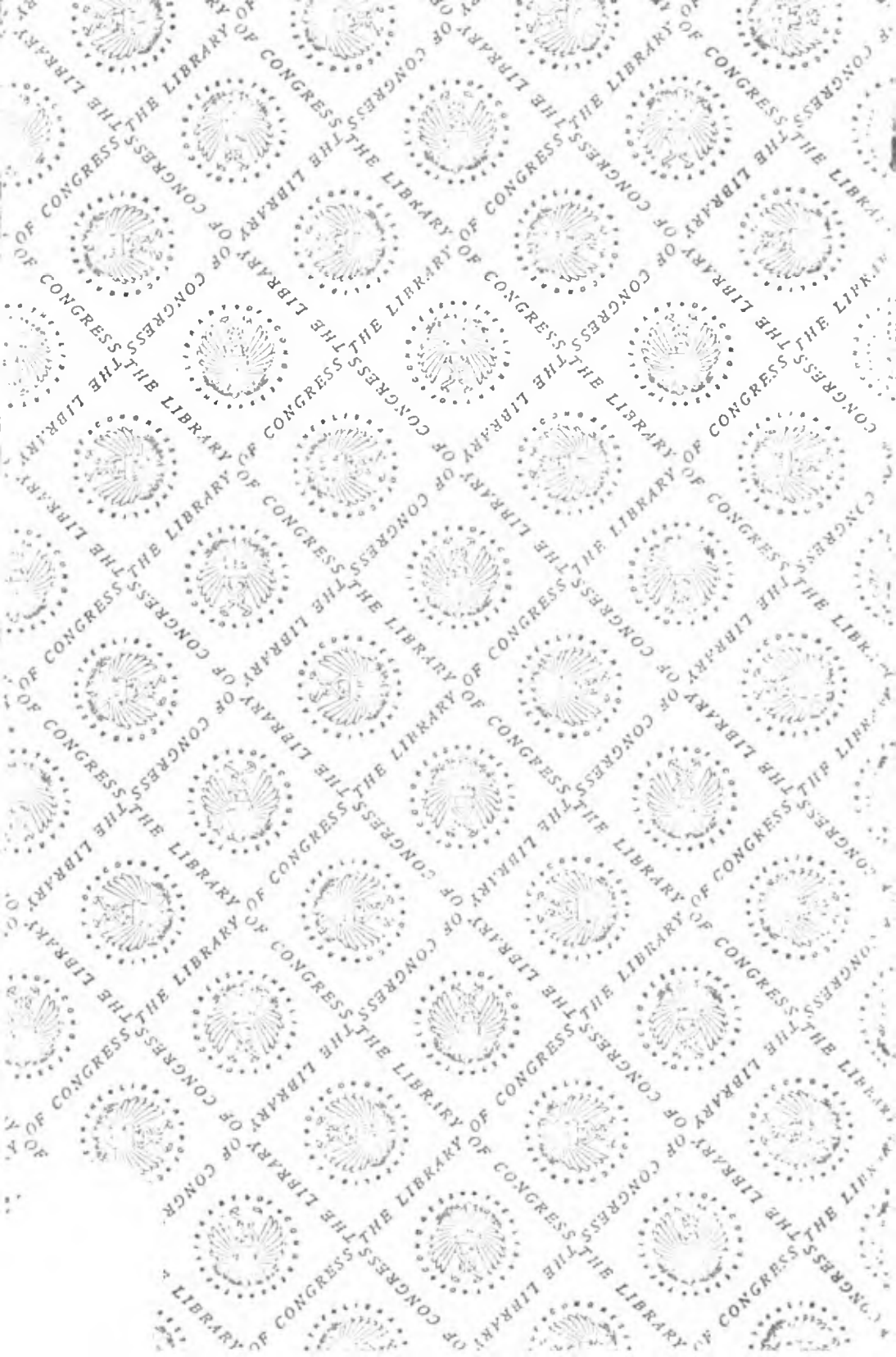














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